

ann determined concede little Britain's new EC demands

financial crisis has taken the spotlight off
plans to renegotiate its membership of
European Community, according to central
officials meeting in Virginia. Italy "is on
ge of collapse", they say.
so their view that West Germany is in no
to make concessions to Britain and feels:
tain wants to get out, it would be Britain's
ours."

ian financial crisis / main concern

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rg. Virginia, June 7
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Price sisters to end their hunger strike

The Price sisters ended their
hunger strike in Brixton prison
last night, the Home Office
announced shortly after 11 pm.

By Christopher Walker
With a piper playing a lament
at the head of the procession,
the body of Michael Gaughan,
the IRA member who died in
Parkhurst jail on Monday, was
brought from the prison yester-
day to be taken to London.

Many police and Special
Branch men were on duty as
the hearse, accompanied by an
escort of Provisional IRA sup-
porters, was driven to the Isle
of Wight ferry to cross to the
mainland.

Last night a large procession
marched three-quarters of a mile
through the streets of Kilburn,
north London, to carry the body
to the Church of the Sacred
Heart, where a special requiem
mass will be said this morning.
Then the body will be flown to
Dublin.

The coffin was draped in the
same colour which covered
that of Terence MacSwiney,
the Lord Mayor of Cork, who died
after a hunger strike in Brixton
in 1920.

The faint prospect of a last-
minute compromise between the
Government and the Provisional
IRA hunger strikers was being
kept open last night.

Although both sides refused
to discuss any details of a pos-
sible deal, it was reliably un-
derstood that it would involve the
strikers being given a definite
date in the future for their
transfer to Ulster jails in ex-
change for a pledge to abandon
their fast.

The leading politician in-
volved in the delicate negotia-
tions has been Lord Brockway,
the Labour peer, who has visited
the "Price" sisters in Brixton
prison twice during the past
fortnight. The Home Office said
yesterday that they were weaker
and tired.

Lord Brockway said: "The
state of the discussions means
that I am not able to say any-
thing at all. But one way or the
other, I am sure there will be a
decision by the end of the week-
end."

Any deal involving the two
Price sisters would also have to
include their accomplices in the
London car bombings who are
still on hunger strike. They are
Gerard Kelly and Hugh Feeney.



A piper leading the procession with hearse carrying the body of
Michael Gaughan from the Isle of Wight ferry at Portsmouth

any negotiations could be upset
by the death of Mr Francis Stagg,
the fifth IRA hunger striker,
who is in Parkhurst prison.

Yesterday the Home Office
said his condition was giving
"cause for concern".
Robert Fisk writes from Belfast:
The funeral of Mr Gaughan will
this weekend provide a test not
only of the Provisionals' support
in the Republic of Ireland but
of the Irish Government's
strength of purpose as well. In
spite of the Dublin Cabinet's
determination not to allow a
paramilitary funeral, Mr
Gaughan's body will be arriving
at Dublin's civil airport this
morning to be met by Provisional
Sinn Féin representatives at the
start of a long and well public-
ized journey across central Ire-
land.

A cortege arranged by the
National Graves Association,
which is controlled by the Pro-
visionals, will make its way
tomorrow from Dublin to Bal-
lina, in co Mayo, where Mr
Gaughan was born, stopping at

church hall and parochial house
at Kircubbin, co Down early
yesterday. The parish priest
was slightly injured when he
was thrown from a horse at
Newtownabbey, co Antrim,
a printing works was damaged
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incendiaries are thought to have
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Alarms misled 35 men contaminated in atom plant blowback

By Tim Jones
Over-sensitive safety devices
which were ignored by workers
led to 35 men being contaminat-
ed by radioactive material at the
Windscale atomic energy
establishment, in West Cumbria,
last September. Some of the men
are still contaminated internally
but as yet they have suffered no
ill-effects.

Those are some of the findings
of a secret report from a board
of inquiry which investigated the
incident, which happened on the
seventh floor of the plant.
A senior official of British
Nuclear Fuels said last night
that the accident was a classic
case of "Crying wolf". Moni-
toring devices at the station
were so sensitive that they were
activated by the slightest rise in
the level of radioactivity. But
there was no separate system to
indicate that the levels of leak-
age were dangerous.

"It was a case of being too
careful and having the safety
devices on too fine a trigger",
he said.
The devices had gone off from
time to time before and it
appeared that the workers had
become used to their doing so
when the level of contamination
was not dangerous.

Because of that the 35 men
were exposed to radioactivity
for 15 minutes before the
seriousness of the situation was
realized and instructions to
evacuate the building were
given. The operation was ham-
pered by the presence of a public
address system with which to
instruct staff on action to be
taken.

The report makes clear that
the trouble originated from
Constant Volume Feeder III at
that plant, which pressurization
caused the air flow to be tem-
porarily reversed.
Paragraph 63 of the report
states: "The delay was because
the B-in-air monitors were not
emergency hiding in B204, to
they were set to alarm at a low
level of activity and the signifi-
cance of the alarm had to be
separately assessed. The
absence of a public address
system made it difficult in such
a large building as B204 to
call staff on the action to be
taken when the seriousness of
the situation was realized."

The report also says that
during the incident radioactive
material escaped for an hour
into the atmosphere through a
chimney. The escape of such
radioactive materials was
checked on milk and grass in the
vicinity showed, however, that
there were no environmental
hazards.

In another paragraph, it says
that suitable additional moni-
ing equipment should be in-
stalled which would automatic-
ally trigger powerful, easily
identifiable, audible alarms when
atmospheric contamination
reached an established emer-
gency level. "The actions to be
taken should be clearly defined,
but the first would be rapid
donning of respirators."

The report continues:
"Events immediately follow-
ing the general alarm on Sep-
tember 26, 1973, demonstrated
that the existing monitoring
and decontamination facilities
were overloaded when dealing
with the relatively large num-
ber of employees who had been
contaminated."

Although the ad hoc
measures taken proved to be
effective, the board felt there
was a clear need for improved
facilities and procedures for
dealing with such a situation
so large a number of contam-
inated employees."

In all the board of inquiry
makes 11 recommendations about
the operation of the plant and
the steps that should be taken to
prevent a recurrence of the ac-
cident. The British Nuclear
Fuels official said: "these are
being acted upon and we are
doing everything in our power
to see that this does not happen
again."



Valery and Galina Panov in
their Leningrad flat.

Panovs get permits to leave Russia

Moscow, June 7.—Valery
Panov, the Jewish ballet dancer,
and his wife Galina, also a
dancer, have both been granted
exit visas to emigrate to Israel,
Soviet sources said today.

Neither Mr Panov, who was
dismissed as the leading dancer
of the Kirov company in Lening-
rad when he applied to emi-
grate more than two years ago,
nor his wife, could be reached
for comment. Their telephone
has been cut off for months.

On Thursday Mr Wilson made
a personal appeal to Mr Kosygin,
the Soviet Prime Minister, to
allow the Panovs to leave before
the Bolshoi ballet begins a tour
of Britain next week.

But the sources said the deci-
sion to allow their emigration
was made several days before
Mr Wilson's request, and denied
that it was a result of Western
pressure. They said the visas had
been waiting in the Leningrad
visa office for several days. The
Panovs could leave whenever
they wished.

Mr Panov, who is 35, was given
a visa last December, but the
authorities refused to give one
to his non-Jewish wife, saying
her mother objected. Mr Panov
would not leave his wife, who is
now expecting their first child.

The news agency Tass today
denounced as "malicious slan-
der" reports that Gennadi
Rozhdestvensky, the conductor,
and Sviatoslav Richter, the
pianist, intended to leave the
country. Both the musicians
were due to leave soon on long
foreign tours, Tass said.—UPI,
AP and Reuter.

Trick suspected: Mr Greville
Janner, Labour MP for Leices-
ter, North-West, who is one of
the leaders of the "Free the
Panovs Campaign" in Britain,
said last night he suspected a
trick to get the demonstrations
against the Bolshoi Ballet called
off.

Other leaders of the campaign
were delighted by the reports.
Lord Olivier, seated at his Brighton
house that he was "overjoyed".
I have been working with the
campaign as long as anybody.
The difficulty has been not to
over-dramatize it. It is very nice
to think that if one can get there,
one might see the Bolshoi Ballet
now."

Concern over Duke of Gloucester's condition

The condition of the Duke of
Gloucester, who has been in
falling health for some time, was
giving cause for concern,
Kensington Palace announced
yesterday.

The Duke, the only surviving
uncle of the Queen, and a former
Governor-General of Australia,
is 74. He is at his country home,
Barrow Manor, near Peter-
borough.

Prince Richard of Gloucester
has cancelled an official engage-
ment because of his father's ill-
ness. As president of the East
Midlands "Tourist Board, he was
to have opened the Lincoln
Water Festival today.

Also in doubt are a visit by
his mother, the Duchess of
Gloucester, to Corby village,
Northamptonshire, on Monday
evening and Prince Richard's
visit the same evening to the
opening of an exhibition to mark
100 years of lawn tennis at Reed
House, Piccadilly.

Since the late 1960s the Duke,
who is suffering from a severe
circulatory condition, has been
unable to undertake public
engagements.
In 1970, after a stroke, the
Duke almost lost his power of
speech.
In August, 1970, his elder son,
Prince William of Gloucester,
aged 30, was killed in an air race
accident.

Another top Provisional arrested

From Stewart Tendler
Belfast
The Army said yesterday that
it had arrested a leading mem-
ber of the Provisional IRA's
Belfast brigade in a raid on a
public house in the Falls Road.
It claimed to have captured
seven provisional leaders in the
city in the past two months.

The man arrested is under-
stood to be Mr Thomas Reilly.
He is said to have been assistant
quartermaster in the brigade
and an explosives expert. The
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Mr Healey hints at election in the autumn

By George Clark
Political Correspondent
Mr Healey, Chancellor of the
Exchequer, gave a broad hint
last night that Mr Wilson is
planning for a general election
in the autumn.

Speaking at Leeds, he said
the Labour Government had now
carried out its promise to act
immediately on pensions, food
and housing.

"We have started on that
fundamental redistribution of
wealth and income to which we
pledged ourselves in the elec-
tion", he said.
Before Parliament rose for
the summer recess the Govern-
ment would have published far-
reaching new proposals for
greater social justice and eco-
nomic efficiency in all sections
of Britain's national life.

Mr Healey has claimed that
these are tasks too far-reaching
in their implications for a
minority government to under-
take. In that case he must not
complain if we take an early
opportunity to convert that
minority into a majority govern-
ment."

Plumbers case judge berates Mr Nixon

From Fred Emery
Washington, June 7
A federal judge today angrily
declared that President Nixon's
conduct has been "offensive"
and "borders on obstruction"
of justice in the so-called
"plumbers" case due for trial
in 10 days' time.

Judge Gerhard Gesell said he
would rule on Monday on a re-
quest for a contempt citation
that court observers believe
could be directed against the
President.

The issue is the President's
refusal to let the court decide,
as formally ordered, which
White House papers may be
needed by Mr John Ehrlichman
in his defence. The judge berated
the President's lawyers and told
them he did not think the Presi-
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Mr Kleindienst in tears as judge passes light sentence

From Our Own Correspondent
Washington, June 7
Mr Richard Kleindienst, the
first Attorney General in United
States' history convicted of
crime, wept in court today as he
was given a suspended sentence
of one month's imprisonment
and a fine of \$100 (£41).

He had pleaded guilty to a
"misdemeanour" of giving
misleading testimony under
oath before a Senate committee
in 1972.

Mr Kleindienst, the weakest of
President Nixon's extraordinary
quartet of Attorneys General, is
a fortunate man. He will prob-
ably escape disbarment and so
secure his livelihood. He gave
false answers when asked
whether Mr Nixon had inter-
vened with him in the antitrust
case of the International Tele-
phone and Telegraph Corpora-
tion, and escaped a perjury
charge because he cooperated

with the Watergate prosecution.
He had been in departmental
charge throughout the first
phase of the Watergate investi-
gation, and resigned in April
last year when the cover-up fell
apart and revealed his friends
deeply implicated.

The rest of the news

- Rates: Minister says review
does not mean more generous
grants
- Nurses' pay: Mrs Castle
names inquiry panel
- Pensions dispute: Talks to
ensure rises will be paid on
time fail
- Coal: Big programme of
expansion is planned
- 'The lump': Builder is jailed
for tax evasion
- Brussels: Nato declaration
off ice as US-Europe links
grow warmer
- Middle East: Brutalities
recounted by Yom Kippur
prisoners
- Uganda: General Amin
changes mind over expelling
Britons
- Pakistan: Opposition presses
Government to bar Ahma-
diyya sect
- Malaysia: Terrorists assassi-
nate police chief
- Everest: Mallory and Irvine,
Himalayan climbers in tweed
jackets of 50 years ago
- Sportsview: Americans redis-
cover football played without
the padding
- Cricket: Fletcher scores cen-
tury for England in first Test
match against India
- Tennis: Virginia Wade soon
eliminated from French
championships
- North Sea oil: BP and
Burmah plan joint develop-
ment of Ninian field
- Insurance: Stern group com-
pany sold for £1.1m
- Mexico: Four-page special
report
- Arts
Bridge
Business
Chess
Court
Crossword
Engagements
Fashion
Feasting
Law Report
Letters
News
Europeans
- Rome
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HOME NEWS

Minister says rates review does not mean higher grants

The Government was reviewing rates support grants, but that did not mean there would be a more generous grant settlement this year, Mr John Silkin, Minister for Planning and Local Government, said yesterday.

He admitted that the abandonment of the variable domestic rate relief for a flat rate was "rough justice". However, it had restored the Government's original intention of benefiting the inner cities.

Mr Silkin, addressing a conference of the Chartered Institute of Public Finance and Accountancy at Scarborough, urged local authorities to curb expenditure, especially money spent on hospitals.

He told delegates: "Hospitality and show are undoubtedly attractions, but they should not be on such a scale as to draw criticism from the public in general. If we are going to get the confidence of the public in the new authorities, especially in view of heavy rate demands, we have got to understand the way people feel and that what we are doing is right."

In view of the grave economic situation, Mr Silkin continued, the Government and local authorities must ensure that the independence enjoyed by local authorities was not exercised in a way that ran counter to the national need to control public expenditure.

Rates were an imperfect form of taxation and had many disadvantages. But whatever the shortcomings of the present system and the real problem of the increased burdens many people were now facing, generous provision had been made in the form of rate rebates to help those in need.

"All those who suggest that old age pensioners will be hit badly by this year's rate increases are doing a grave disservice to the very people they claim to be concerned about. They are only causing unnecessary worry and anguish to the very people they want to help."

He suggested that those people who were worried about the old age pensioners should send, or better still take, all the pensioners they knew to their nearest town hall and help them to find out just how much they were entitled to in rate rebates and how they should claim it.

"Discourtesy" complaint: Mr John Davies, MP for Knutsford and a former member of the Conservative Cabinet, has written to the Prime Minister complaining of "gross discourtesy" by Mr Crosland, Secretary of State for the Environment, in refusing to meet a delegation of Cheshire MPs on the subject of rate increases. Mr Davies writes from Manchester.

Business chiefs worried at prospects, MP says

By George Clark
Political Correspondent

Mr John Davies, Conservative MP for Knutsford and a former director-general of the Confederation of British Industry, said yesterday that messages reaching him from business leaders both in his political and banking activities reflected their concern about prospects for the national economy over the next year.

They saw the prospect of dwindling gross profits severely pinched between price control and sharply rising costs; of still more steeply falling net profits after tax, with severe consequences for the generation of adequate resources in an enterprise; of cutting back on planned investment for want of confidence in the future and the availability of resources to invest; of the virtual extinction of the capital market; and of the growing difficulty in offering industrial shareholders a better deal than investment in local authority loans.

That was a catalogue of sober facts, Mr Davies told an east Midlands Conservative meeting. When Mr Davies, Chief Secretary of the Treasury, inveighed on Wednesday against "the pessimistic talk we are now hearing from people who should know better" he was falling into the trap of confusing pessimistic talk with unpalatable facts, Mr Davies continued.

The Government's policy with the economy seemed to be one of grinding out cavities and stuffing them with temporary fillings. In the aftermath of the election it might have seemed to the Chancellor that there would be popular appeal in knocking industry about and handing out some unearned benefits to all and sundry. "But the fact is that those giddy amounts are starting to be paid for, and in a way from which all of us will suffer. The cumulative effect of Hesleyman and Besseny is proving a heavy burden for the country to bear."

Mr William Clark, MP for Croydon, South, and joint treasurer of the Conservative Party, said at Luton that Mr Healey's lip service to profits sounded hollow, coming from a man who did not save any money himself.

"These socialists are trying to appear reasonable because they cannot push left-wing legislation too far at the moment," Mr Clark said. "But if Mr Wilson an overall majority and the left-wing would really have the dog as we have never seen it wagged before. Then the unions would be further strengthened, with even more monopolistic power."

He said that the Government would use both the planning agreement system and the public enterprise system to help in regional development. "Planning agreements will help to ensure that leading companies locate their investment projects in the regions," Mr Healey said. "With regard to new public enterprise, our National Enterprise Board, because it will control a number of major and expanding companies, will play a major role in the creation of new jobs, and it will do this on a planned and long-term basis."

"We must act directly at the level of the firm or company. It is certainly important that we should have industries in Britain making profits. We are convinced the NEB will contribute towards this. Profit-making itself is not wrong; but profit made purely for private interests is not helpful."

Labour still bent on more public ownership

By Our Political Correspondent

Confirming that the Labour Government was still determined to go ahead with an expansion of public ownership, Mr Heffer, Minister of State for Industry, told a meeting at Liverpool yesterday that "because of our minority situation" Labour was not in an easy position regarding its policies.

Nevertheless, he said, "we are not letting the grass grow under our feet, and we in the Department of Industry are actively preparing our plans, which are based upon the election manifesto and the programme carried at the 1973 Labour Party conference."

After quoting from the manifesto, Mr Heffer said the Department of Industry was custodian of much of it, and it would not fail in its duties.

The question of shipbuilding and ship-repair public ownership is under active consideration, as is the nationalization of the aircraft industry. How precisely these industries will be publicly owned is a matter for discussion which will involve the unions as well as other interested groups.

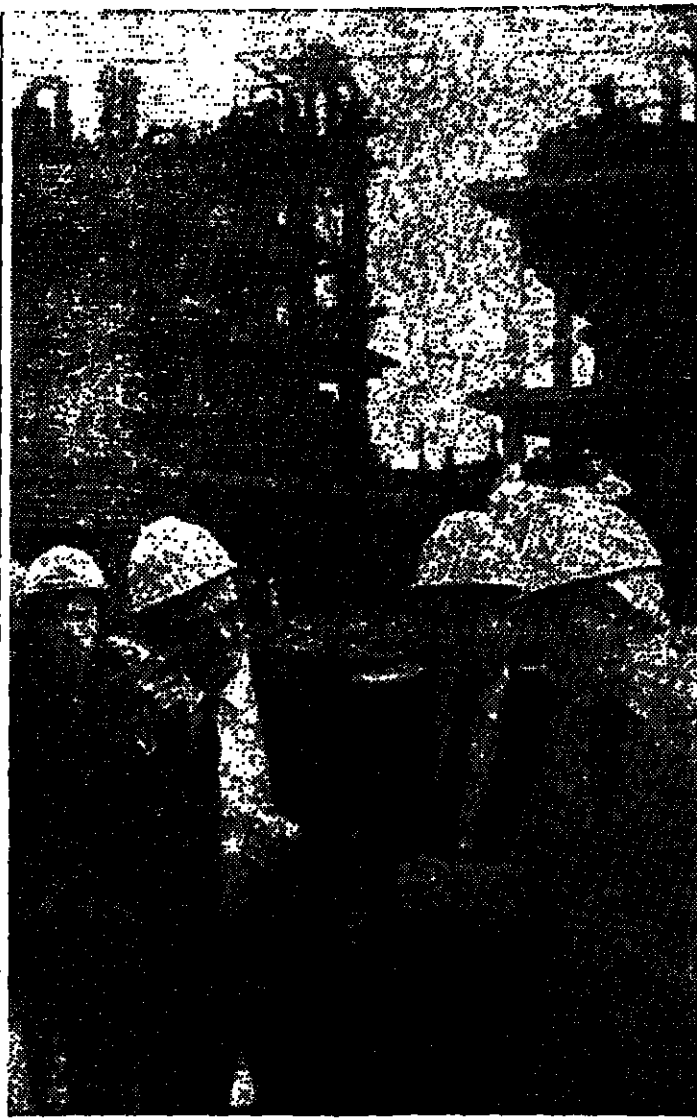
There was undoubtedly a crisis in the private enterprise system, Mr Heffer said. The latest figures issued by the Government showed that companies were spending only 5 per cent more on buying plant and equipment to replace old equipment, when before the oil crisis businesses were planning to increase spending by up to 15 per cent.

"It is very clear that we cannot rely entirely or even partially on the market mechanism to provide us with the investment required to expand the production necessary to increase our living standards."

The establishment of the National Enterprise Board and the extension of public ownership was not a matter of dogma but "an absolute necessity if we are to get our country's problems solved."

The Government would use both the planning agreement system and the public enterprise system to help in regional development. "Planning agreements will help to ensure that leading companies locate their investment projects in the regions," Mr Healey said. "With regard to new public enterprise, our National Enterprise Board, because it will control a number of major and expanding companies, will play a major role in the creation of new jobs, and it will do this on a planned and long-term basis."

"We must act directly at the level of the firm or company. It is certainly important that we should have industries in Britain making profits. We are convinced the NEB will contribute towards this. Profit-making itself is not wrong; but profit made purely for private interests is not helpful."



Flizborough visit: Mr Foot, Secretary of State for Employment (right), visited the wrecked Nypro chemical plant at Flizborough, Humberside, yesterday but his 45-minute tour had to be curtailed because of danger from falling debris as a high wind swept the site.

He had decided to visit the site to hear what the people who knew about it had to tell, he said. Their comments would be taken into account when the Government decided what form of inquiry should be held.

Later Mr Foot toured villages damaged by last Saturday's explosion, in which 28 people died, and talked with homeless people at a caravan site set up for them. Villagers at Amcotts said they could never feel safe if the plant was rebuilt.

Business News, page 12

Japanese hope to produce no damage car bumper

Mr Teiji Lida, a senior engineer of Toyota car company, said yesterday that protection from injury and damage in car accidents could be bought at a price. "But there comes a point at which it may no longer be cost-effective."

He told the international conference on experimental safety vehicles, which ended in London yesterday, that a reinforced bumper, with energy absorbing units, fitted to the latest Toyota Corolla model on sale in Japan had more than halved the cost of repairs after a 5 mph crash.

The cost of such repairs, using figures supplied by the American Highway Safety Council, was about £75, compared with £195 for the older type of bumper design.

Toyota had also studied the economic possibilities of a no-

damage bumper system for frontal impacts of 10 mph, which was being sought by US insurance companies.

Toyota expected to develop an economically beneficial no-damage bumper, effective at 5 mph, for smaller cars.

Car recall order: The Transport Ministry in Tokyo has asked Nissan Motor Company to recall its Cherry cars produced between January and September, 1973, which had faulty clutches (Agence France-Press reports).

About 6,500 of the cars were exported, mainly to Britain, Ireland, Malta and Cyprus, the company said.

Lord Balogh's son appeals against sentence

Stephen Balogh, aged 28, a solicitor's clerk and son of Lord Balogh, Minister of State for Energy, planned to release a bottle of laughing gas into St Albans Crown Court during the recent pornography trial because he was bored with the proceedings, the Court of Appeal was told yesterday.

Mr John Vinelott, QC, opening Mr Balogh's appeal against his six-month jail sentence for contempt of court, said Mr Balogh had "drifted on the surface of things for many years". He added: "He has not had the practical experience of human affections."

He said that Mr Balogh, of Ladbroke Grove, Notting Hill, London, was married with two young children.

He was attending court on behalf of a firm of solicitors at St Albans trial. "In the course of the trial he felt repelled, disgusted and ultimately bored," counsel said.

He had to visit a hospital, and while there saw a lorry discharging a load of nitrous oxide. He picked up half a cylinder and put it in his briefcase. He was arrested when he collected the cylinder from the public gallery of another court.

He was charged with the theft of the cylinder, but was released before Mr Justice Melford Stevenson, who committed him to jail for contempt.

But nurses had received an extra £120 under a threshold agreement, a pay increase under Phase Three, backed to April 1, "so they have got a few more pounds in their pockets to tide them over."

The Royal College of Nursing said last night that it was "very satisfied with the distinguished names" on the committee. But Mr Albert Spanwick, general secretary elect of the Confederation of Health Service Employees (COHSE), said that Mrs Castle had "clearly underestimated the deep anger among Britain's nurses, 40,000 of whom last month took home less than £10 a week."

Nurses needed an interim award immediately.

The National Local Government Officers Association (NALGO) said it was a bitter disappointment "and a stab both to us and the TUC" that the committee contained no union representatives.

Woman croupier 'expected husband to die'

Mrs Linda Cawle, a croupier, told a jury at Exeter Crown Court yesterday of a few moments when she expected to see her husband, whom she had recently married, die at the hands of a gunman.

She was giving evidence in the trial of Maria Charles Fenton, aged 44, of the House of Virginia, Torquay, who has denied murdering four people at the Carlton Club Casino, Torquay, four days before Christmas.

Mrs Cawle, aged 28, of The Terrace, Torquay, told the court: "My husband dived beneath a table when I saw Mary (Mrs Fenton) come towards where he was. As he approached I saw my husband stand up. He (Mrs Fenton) had the gun pointing at him and my husband said: 'Don't shoot, Mary.'"

She heard two loud clicks and expected to see her husband fall. But "unbelievably, he did not."

Mr Fenton, father of three children, is accused of murdering PC Dennis Smith, Leamford, a gaming manager, Miss Ann Andrea, a croupier, and Mr Austin Webb, a hotel keeper, on December 21.

Mr Michael Bentley, aged 37, of Torbay Road, Paignton, Devon, said that when a man entered the club with two guns, "I thought we had got a sort of clown."

He said the gunman shot Miss Andrea after she had dived with him to the ground.

Instead, the department has seen fit to appoint several members of the doctors' review panel, which suggests that the review is being seen as an introductory exercise to the doctors' own pay inquiry rather than concentrating on nurses' pay in its own right.

Champane for protesters: Nurses staging a pay protest were given champagne as they waited for Mrs Castle to arrive at an Edgemoor hotel last night. Staff brought out two bottles of champagne for the 20 demonstrators on the brewery sponsoring the event Mrs Castle was attending.

That was the presentation of the Midland of the Year award to Mr Jack Ashley, Labour MP for Stoke-on-Trent, South, for his work as a social campaigner. Mrs Castle spoke to nurses' representatives demonstrating outside the hotel. She urged them to wait for the result of the inquiry.

Legal action urged against Mr Craig

The public prosecutor was urged last night by Mr Robert Cooper, a leader of the moderate Alliance Party, in Ulster, to take legal action over a speech by Mr William Craig, the United Ulster Unionist Coalition MP at Westminster, which he gave at Oxford on Thursday night.

Mr Craig told the University of Monday Club that Northern Ireland "loyalists" would "wage civil war in the fullest sense of the word" if they failed to get the constitution they wanted. There would have to be a "military end to terrorism if we cannot negotiate a political end", he said.

Mr Cooper said last night: "To anyone who had any ill-feeling about the motivation and political principles of Bill Craig there can no longer be any doubt. His latest message of hate makes it clear that he will wage civil war not only if Northern Ireland were to be forced into a united Ireland but

also if the British Government does not give Northern Ireland a constitution of which he approves."

"If ever it was different his position now is the same as the Provost. He is telling Britain: 'Do what I say or I will bomb, shoot and murder.'"

Need for change: Britain has the right to insist that the people of Northern Ireland accept the authority of Westminster, Mr Ross, Secretary of State for Northern Ireland, said in Leeds last night.

"Surely it is right that we should ask the people of Northern Ireland, and in particular their elected representatives, that they should be willing to change former attitudes and reach an accommodation with others of different persuasions."

Britain insisted only that any form of government in Northern Ireland should involve full recognition of the right of both the majority and the minority communities to participate.

Close Dublin watch on Gaughan funeral

Continued from page 1

They will watch closely this morning when the coffin is laid in the Franciscan church on a Dublin quayside to see how much public sympathy the city feels it wants to devote to Mr Gaughan.

One leading republican who will be at the graveside tomorrow will be Mrs Maire Drumm, the vice-president of Sinn Féin, but she said yesterday that she did not know who else would be there. Mr David O'Connell, one of the IRA army council's most influential members, must, however, be considering a visit to the grave, because the Provisionals are convinced that Mr Gaughan is only the first in a line of dead hunger strikers.

Meanwhile, the Irish police were directing most of their attention yesterday to the continuing search for Lord and Lady Donoughmore, who are still missing nearly three days after they were kidnapped from their estate at Clonsilla, in the Wicklow mountains. They were bravely talking of "important leads" in the case.

They are more convinced than ever that the IRA was behind the abduction, and that three of the men were kidnapped from the IRA's 19th of October 1968 earlier this year were involved.

According to intelligence sources in Northern Ireland, one of the sets of fingerprints found at Sir Alfred's home belonged to Mr Keiron McMorrow, the former British soldier who is wanted for interview by Scotland Yard about the London bombings.

The Garda would not confirm yesterday either this or

whether he may have been involved in the abduction. Donoughmore, although expressed considerable interest in talking to Mr McMorrow.

The Donoughmore family was demonstrating Thursday night in Clonsilla 600 people attended a n to express their anger kidnapping. The mayor town, Alderman John said that there were images of nationalism as sometimes crimes were mingled in its name.

"It may not be known that the Donogh family and their home have a history of being in need of a rest in times when they were raised against it said.

Attempt to end delay in higher pensions fails

By Our Labour Correspondent

Talks aimed at ending the dispute which is delaying preparations for payment of increased pensions due next month failed last night. Leaders of Civil Service unions are expected to decide today to continue their industrial action.

A personal appeal to call off the disruption from Mrs Castle, Secretary of State for Social Services, left the executive of the department's section of the Civil and Public Services Association unmoved. The association is seeking a cash bonus for overtime involved in uprating pensions. The Government has offered only a holiday bonus of up to three days.

At a meeting with Mr Len Murray, general secretary of the TUC, and senior union leaders yesterday morning, Mr William Kendall, general secretary of the association, was given a warning that if the refusal to handle work on the pension increases is not called off the TUC will make a "positive statement" about the dispute next week.

As TUC leaders see the association's action as a threat to the "social contract" with the Government, this must be interpreted as a threat that the association will be dissolved by the other unions. Such a move would probably harden rank-and-file feelings in many departmental offices in favour of continuing the industrial action.

Scanlon warning: Mr Hugh

Scanlon, president of the Amalgamated Union of Engineering Workers, warned the Government yesterday not to betray the unions and accept a watered-down version of its proposed industrial relations legislation. He said it was "politically delicate position" (the Press Association reports).

He said that if the Conservatives and Liberals succeeded in gaining important amendments in the Trade Union and Labour Relations Bill now before Parliament, the Government must go to the country.

Writing in his union's journal, Mr Scanlon concludes: "If the Labour Government eventually finds itself faced by the mutilation of the Bill, the challenge must be answered with a General Election and anything less will be seen as a betrayal of the whole trade union movement."

"The Government should make it clear that the legislation will go through on time, using whatever parliamentary devices are available, to secure its success."

The previous Tory Government adopted a similar approach with the old Act, and since it is now industrial peace that is at stake, the Labour Government should use its power to follow the Tory example."

Voices that were silent when the Tories took that line of action would no doubt clamour when it was adopted by a Labour Government, he said.

Scanlon warning: Mr Hugh

Life jail for five over senator's murder

From Our Correspondent

Dublin: Five men from Co Me were sentenced at the Criminal Court in Dublin today to life imprisonment after being convicted of murdering Senator William Fox at Tircorney, Co Mon on March 11.

They were also sentenced to 10 years' jail for burning the home of Richard Coughlin, who was shot, and a further years for having firearms to assist in the killing.

The five men were: McGeehan, aged 19; George McDermott, aged 20; James Francis McPhillip, aged 21; Sean R. aged 23, and Michael K. aged 24, of Legnakey, Cl.

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Mr O'Kane, from Strath Northern Ireland, said they had told him that the Director of Public Prosecutions was siding his allegation of a racial incident to racial ha

Writ over Lord Arran's attack on Irish

A High Court writ of habeas corpus has been taken by Mr Laurence O'Kane, an Irishman, against Lord Arran, who attacked the Irish weekly newspaper column which the private citizen alleges that Lord Arran, an Irish landowner, was of libel and slander.

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Badger dig costs four men £200

In what was believed to be the first case of a complaint alleging unfair industrial practice by the Amalgamated Union of Engineering Workers was laid before the National Industrial Relations Court yesterday.

Mr Alexander Joseph McCool, aged 52, a welder, of Holland Road, East Ham, London told the court that his employers, Delamair Ltd, car heater manufacturers, of Barking, Essex, had suspended him three weeks ago after he refused to show his AUEW card to a shop steward.

He had since shown his card and paid 20 weeks' arrears of subscriptions, but had been informed by union officials that he could not resume his job as a spot welder and would have to accept a job in the "fettling" shop.

Mr McCool added: "I said I would not accept such a dirty job and would rather opt out of the union. They said they would stop me getting into the factory altogether."

Sir John Donaldson, President of the Industrial Court, said Mr McCool did not appear to have any cause of complaint against his employers, but did appear to have grounds for alleging an unfair industrial practice by the union. He ordered a full hearing on June 18 of Mr McCool's complaint, which is being brought under section 101 of the Industrial Relations Act.

Details of the nurses' independent pay inquiry, which is to start at once, were announced yesterday by Mrs Castle, Secretary of State for Social Services. She said she hoped it could be completed by late summer.

"I know that Lord Halsbury, the inquiry chairman, and his team are as anxious as I am to speed their work as much as they can without damaging the effectiveness of an inquiry for which the nurses have been asking for so long."

The inquiry will examine the pay structure and levels of remuneration and related conditions of service of nurses and midwives covered by the Nurses' and Midwives' Whitley Council, with particular reference to the current claim.

Lord Halsbury is chairman of the Doctors' and Dentists' Review Body. The committee

New complaint against engineering union

By Our Labour Correspondent

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Inquiry panel for nurses' pay review named

THE NEWS

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Builder 'on the lump' is jailed for tax evasion

Britain loses millions of pounds each year because build-
ing sub-contractors "on the
lump" pay no tax, Deputy Judge
Hart-Leverton said at Kingston
upon Thames Crown Court yester-
day. Sentencing John Kilcawley,
an Irish sub-contractor, to a
year's imprisonment, he said
that this type of offence was
too prevalent.
Mr Kilcawley, aged 37, of Lich-
field Road, Cricklewood, London,
was appearing for sentence after
pleading guilty to using a forged
tax-exemption certificate and
forged exemption vouchers. He
admitted evading more than
£5,000 in tax and asked for 10
similar offences to be taken into
consideration.
He was also sentenced to 12
months' imprisonment to run
concurrently on three fraud
charges, and fined £500 and
ordered to pay £80 restitution
and up to £350 of his legal costs.
Sentencing him, the judge
said: "The majority of citizens
in this country have to bear an
ever-increasing burden of tax-
ation which they pay". The build-
ing trade had a bad name. "One
small part of the community can
cause losses of millions of
pounds. This country is in finan-
cial difficulty and needs all the
money it can get. Hospitals and
schools need to be built."
He was sure this case was just
the tip of an iceberg. The prac-
tice must be stopped and such
swindles would not be tolerated.

Trust denies influencing executive of NCCL Move to stop Mr Loney's dismissal

By Diana Geddes

The first step in an attempt to
nullify the decision of the execu-
tive committee of the National
Council for Civil Liberties to
dismiss Mr Martin Loney, its
general secretary, is to be taken
by Mr Maurice Pollock, an
executive committee member,
when the national groups of the
council meet in Bristol today.
Mr Pollock, one of five mem-
bers of the 21-member executive
committee who voted against the
dismissal, said yesterday that
he was trying to organise an
emergency meeting of the mem-
bership. He hoped that he
would get the 50 members
signatures needed to call such a
meeting.
Dr Jack Young, another
executive committee member,
resigned yesterday in protest
over what he called "the
undemocratic way in which the
dismissal was done and the
political nature of the move".
After an all-day meeting yester-
day between members of the
executive and the council staff,
Mr Henry Hodge, the committee
chairman, said they regretted
that the decision to dismiss Mr
Loney had to be taken. But it
was felt that "he had failed to
provide the policy initiation and
coordination that is required to
run the council".
While the executive com-
mittee appreciates the abilities
of Martin Loney and acknow-
ledges the work he has done, it
considered that he had not met
the requirements of this dif-
ficult post.
Dr Young and Mr Pollock
were not informed of yesterday's



Mr Loney: "Reasons not substantiated"

meeting at which the statement
was drawn up, and did not
attend. A statement issued last
night on behalf of the 20 coun-
cil staff said: "The entire staff
is unhappy about the manner in
which the decision was reached.
Moreover, there is division
among the staff about the cor-
rectness of the decision itself."
Mr Loney, a former president
of the Canadian Union of Stu-
dents, worked for the World
University Service in Geneva be-

fore taking up the NCCL appoint-
ment in May last year. Yester-
day he said his dismissal was a
"hatchet job".
He said: "I have been in-
volved in politics for 13 years
and I have never been involved
in anything as vicious or as nasty
as that. The reasons the execu-
tive committee gave me were
never substantive nor substan-
tiated."

The NCCL has been having
serious financial difficulties.
Membership, a main source of
income, has declined from 5,400
to about 5,200 since Mr Loney's
appointment; it had increased
threefold over the previous six
years. The Rowntree Social Ser-
vice Trust, which had provided
important financial support for
several years, has reduced its
contributions.
Most of the trust's grant of
£10,500 for this year had been
committed before Mr Loney's
appointment. For next year only
£6,000 is earmarked for the
NCCL; it will be reduced to
£2,000 in 1976 and 1977.

Mr P. Chitnis, the trust's secre-
tary, denied yesterday that Mr
Loney's appointment had any-
thing to do with the decision to
super off grants to the council.
The trust did not give money to
organizations in perpetuity. It
provided money for particular
projects, in order to get them
established, he said.
It had been suggested that Mr
Loney's admission that he is a
democratic socialist and a mili-
tant had affected the trust's
judgment. That was not true,
Mr Chitnis said. "We are not
concerned with an individual's
personal political convictions."

Student fanaticism 'a threat to education'

By Tim Devlin
Education Correspondent

The fanaticism of some stu-
dents who refused to listen to
unpalatable points of view was
denounced yesterday as the
greatest single threat to educa-
tion by Mrs Williams, Secretary
of State for Prices and Consumer
Protection.

Mrs Williams, who was mini-
ster of state with responsibility
for higher education in the pre-
vious Labour government, said
she would not speak to any stu-
dent body until they were will-
ing to hear alternative views
expressed.

She joins a growing list of
ministers who have registered
their objection to the decision
of the National Union of Stu-
dents not to allow "fascist" or
"racist" speakers to address
university audiences. The deci-
sion, taken in April, is to be de-
bated again by union delegates
at a special conference next
Saturday.

Mrs Williams told the cen-
tenary conference of the Asso-
ciation of Head Mistresses in
London: "The greatest single
threat to education is not the
theories of one political side or
the other, but a strange recu-
rescence of a crude faith-
fanaticism which says it does not
wish to listen to beliefs it does
not want to hear."
"It is more this resolution of
the National Union of Students
that I fear than its attempts to
produce public accountability of
the universities."

people for their idealism, and
their rejection of hypocrisy, Mrs
Williams was speaking of the
others who were inspired by a
faith of a "stranger kind".

It was based on a rebirth of
simple dogmas and supersti-
tions, she said. It could be seen
in the schools, in the spread of
interest in the occult and the
simplest forms of evangelism,
similar to those of the seven-
teenth and eighteenth centuries.
The movements of the left were
based on a secular faith groping
for certainty in an age of uncer-
tainty and for some way of
guidance by which to live.

Earlier Miss Joan Wilks, the
association's president, was
applauded when she said the
association could not give even
tacit approval to teacher mili-
tancy in support of better
salaries.

She said: "Many of us know
from the position in our own
schools that children are suffer-
ing, and seriously, from the
actions of some teachers in striv-
ing for better pay and conditions.
We do not think these methods
are right, nor do we think they
are ultimately effective."

Public schools: Both major
political parties were criticized
for their attitude to independent
schools last night by Mr Stephen
McWaters, headmaster of Clif-
ton College, Bristol.

He told parents and old boys
of the school: "It is a pity that
one [party] leaves independent
schools to their own devices to
sink or swim in political cur-
rents; the other seems bent on
making them more expensive
and exclusive."

istry defends change 'super' Harrier

Stranhoppe
correspondent

ministry sources
defended the Gov-
ernment's decision to withdraw
earlier in the Anglo-
American project to develop an
successor to the
carrier "jump jet".
I been given by the
a three-year period
to decide whether to
y back as a full part-
side.
es fear that as time
Americans will be in-
unwilling to allow
panies back as any-
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e-off technology, the
tes had said it would
Britain as an equal
the AV-16 project,
rmin would pay only
the estimated £300m
or costs.
British Government is
pay only a token
or the time being,
keep a foothold in the
the first 12 months
ision by Mr Mason,

Secretary of State for Defence,
was forced on him by the Ameri-
cans two months ago. Until then
AV-16 had been an authorized,
interpenetrable programme
clearly in the interests of both
countries.
The Americans decided, how-
ever, that the United States
Marines needed a "super"
Harrier, with more range and
payload than the existing one,
about 1981. Accordingly they
insisted on rapid progress and
are pressing Congress for funds.
But Britain will have no real
need for an advanced Harrier
until at least five years after
1981, when it will be necessary
to replace the RAF's Jaguar and
existing Harrier aircraft. The
Government is reluctant to opt
so decisively for an advanced
Harrier at this stage.

Another argument which has
weighed heavily with Mr Mason
is that the costs of full partici-
pation in AV-16 would reach
their peak at about the same
time as those for the Multi-Role
Combat Aircraft (MRCA), the
strike interceptor which Britain
is building with Germany and
Italy.

Critics argue that Britain
should have kept her equal
rights in AV-16, at least for a
year or two, to have RAF re-
quirements built into the design.

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In brief

Special security for Vermeer

Special security devices have
been installed at Kenwood
House art gallery, Hampstead,
London, where the £2m Ver-
meer, "The Guitar Player",
has been rehung after its theft
in February and recovery in a
London churchyard in May.
Attendance figures at the gal-
lery have risen greatly since its
return.

Arms dealer's case for a licence refused

Mr Kevin Kavanagh, an Irish-
born arms dealer, has lost his
fight at Bodmin Crown Court,
Cornwall for an arms-dealer's
licence to help to establish a
gun-making factory in Corn-
wall; but Judge Willcock, QC,
on some reluctance, his appeal
against police refusal to give
him a shotgun certificate.

Jail for child stealing

Mrs Nora Anna Wells, aged
45, of Brentwood Lane, Toxteth,
London, was jailed at the Cen-
tral Criminal Court yesterday
for 18 months for child stealing.
She was said to have taken a
child, aged 12 months, from cur-
side a cleaner's shop in Arndale
Walk, Wandsworth, but was
stopped by a shop assistant.

£33,000 trawler fund

The Hull Trawler Skipper's
Guild fund for dependants of 36
men lost in the trawler *Canal* in
February, and other lost fisher-
men, exceeded £33,000 when it
closed yesterday.

Ferry strike over

Ferry sailings on the Stran-
raer-Larne Irish service are to
be resumed today after a strike
by crews over cargo handling
and Sunday payments.

Mine exploded

A 6ft, 5,000lb mine trawled up
by a fishing boat off Walton on
the Naze, Essex, was exploded
off the coast yesterday.

Heavy lorries ban

Lorries more than three tons
in weight are to be banned from
the centre of Wisbech, Cam-
bridgeshire.

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Edition no. 297, Britain.

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Edition no. 115, Britain.

The original references from which these quotations have been extracted may be inspected at the Library of Imperial History.

QUOTE

By Sir Robert Menzies
Prime Minister of Australia
1959-61/1969-66

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QUOTE

By the Baroness
Spencer-Churchill

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WEST EUROPE AND OVERSEAS

Nato declaration off ice as US-Europe links grow warmer

From David Cross

Brussels, June 7

The improvement in relations between the United States and Europe, manifest in Washington and European capitals in recent days, has been boosted by two further developments in Brussels today.

At Nato headquarters permanent representatives were today putting the finishing touches to a new declaration of Atlantic Alliance principles due to be unveiled officially at the meeting of Nato Foreign Ministers in Ottawa in 10 days.

At the same time Mr William Eberle, President Nixon's special trade adviser, and Sir Christopher Soames, the EEC Commissioner for external relations, were winding up two days of what they both agreed were "extremely good" discussions.

The Nato declaration, which was put on ice while American relations with Europe were at a low ebb, is expected to be published as a separate document at the Ottawa meeting. This would be a compromise between Dr Kissinger's original desire for a grandiose declaration to set Atlantic relations on a new footing as Nato was celebrating its twenty-fifth anniversary and the position of some European countries, such as France, who have been suspicious of the whole concept.

According to informed sources, the updated draft text is sufficiently general and vague to be almost certainly acceptable to all 15 member countries.

Final details still have to be worked out by the Foreign Ministers themselves in Ottawa on June 18 and 19. Some remaining problematic passages, such as references to a separate European identity, and improved consultations between European nations and the United States, are expected to be resolved then.

The EEC-United States talks, which were part of the continuing semi-annual consultations on trade, covered a wide spectrum, ranging from the sensitive question of agricultural trade to environmental problems.

At a joint press conference, Sir Christopher made it clear that the Community was anxious to see the forthcoming multi-lateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT) under way as quickly as possible.

In the wake of the energy crisis and rising raw material prices, with the danger of protectionism greater than ever before, it was essential that everyone should get together to foster greater international trade cooperation, he said.

Progress on the new round of GATT talks is being held up while the trade Bill authorizing the United States Government to negotiate on certain points is passing through Congress. Mr Eberle, who is under pressure from the Community to speed the Bill, said today he was "very hopeful that it would be approved by Congress some time this summer".

Dr Kissinger confident Atlantic Alliance is firm

From Our Own Correspondent

Washington, June 7

Dr Henry Kissinger last night bounced back from his bruising news conference to speak some warmly confident words about United States-European relations.

Attending a reception for Nato parliamentarians—within hours of the double defeat in the Senate of efforts to force unilateral cuts in American forces overseas—the Secretary of State clearly wanted to put the dire sounding disagreements of last spring behind the Atlantic Alliance.

At that time President Nixon himself came close to threatening to bring home American forces if Europe would not co-operate in other policies.

Now, said Dr Kissinger, "if we look at our relationship in its proper perspective we know the basic relationship is firm, and that the direction in which we are going is clear".

Dr Kissinger reaffirmed old pledges. "The United States has always favoured, and continues to favour, a united Europe", he said. "That unity did not need to be defined through opposition to the United States, but Europe would not always agree and if it wished to disagree, then, he said, self-disparagingly, "We will bear this with the patience, goodwill, grace and restraint for which we are noted."

He went on: "Obviously a

united Europe will seek its own identity. We do not wish to transpose a Europe of the Nine into an organization of 10". He said that the "family quarrel" of the past year had clarified questions of "how much unity do we want and how much diversity can we stand".

Dr Kissinger said the United States would not knowingly sacrifice European interests to negotiations with other powers, and promised a "major effort" to keep in close touch with allies.

While he predicted good chances of signing, at last, the long-tangled over Nato "declaration" at the ministerial meeting in Ottawa next week, he recalled that there were more important things.

"Remember", he told the parliamentarians, "that the vitality of the alliance is reflected in the attitude of its leaders and with the conviction of its peoples and not in legal documents established as formal obligations."

Although Kissinger made no direct mention of it, there was jubilation at the State Department Nato reception over the defeat in the Senate of the so-called "Mansfield amendments" on troop reductions.

The vote was 54-35 against a phased reduction of 125,000 men; and 46-44 against a reduction of 76,000 men.

The belief today is that Dr Kissinger's prestige, after all, saved the day.

Bomb shatters Haiti patrol boat

Miami, June 7.—A bomb shattered a Haitian Government patrol boat in dry dock for repairs at Miami river marina.

Tories to send new delegates to Strasbourg

By Our Political Correspondent

The British Government, while continuing its refusal to send Labour MPs to the European Parliament in Strasbourg, is offering no opposition to the Conservative Party's proposal to "top up" the Conservative delegation.

After the end of August, Mr Peter Kirk, the delegation's leader, was bound to lose four of his team under the rule that MPs who lose their seats in the national Parliament, or who are, can continue membership of the European Parliament for six months only.

Three members of the delegation did not stand for reelection on February 28. They were Sir Rufon Beauchamp (North Chelwood), former MP for Lewes; Mr John Hill (Norfolk, South); and Sir John Peel (Leicester, South-East). Mr Rufon Pounder, Ulster Unionist, lost his seat at Belfast South.

Chinese to build stadium in Uganda

Kampala, June 7.—China is to build a national stadium in Uganda large enough to seat 40,000 people.

More EEC flexibility over professional qualifications

From Our Own Correspondent

Brussels, June 7

Member governments have given fresh impetus to the European Community's plans for resolving some of its outstanding education problems. Herr Ralf Dahrendorf, the Commissioner for Education, said today.

Commenting on the results of the first meeting of education ministers for nearly three years, he added: "We have now got the whole thing moving and this is a very important first step."

Dr Dahrendorf, addressing a press conference in Brussels, said that on the vexed question of the mutual recognition of professional qualifications there was now general agreement among the Nine to find "flexible solutions" based on a qualitative rather than a quantitative approach to the problem of equivalence of qualifications.

This means that the Com-

Brutalities recounted by Yom Kippur prisoners

From Moshe Brilliant

Tel Aviv, June 7

Israel prisoners of war repatriated after eight months of Syrian captivity unfolded reports of brutality by their captors in interviews today. They spoke of atrocities during the first four months of their captivity after the Yom Kippur war and of marked improvement after the first visit by Red Cross representatives.

Gabi Gerzon, aged 30, a Skyhawk pilot, said he had parachuted down unhurt after his aircraft was hit by ground fire but his interrogators smashed his leg in the first day of questioning.

He declined to give details of the interrogation, but said he was thrown into a cell and denied medical attention for a fortnight. A medical orderly then inspected him and that same evening he was sent to hospital and his left leg amputated below the knee.

The newspaper *Ma'ariv* reported today at least one soldier died under interrogation. According to the paper, the man was not brought back to his room after the third day of questioning and a soldier who shared the hospital room was told he had had a heart attack. The paper did not identify the victim or the source of the information.

According to a report in *Yedioth Aharnoth*, the navigator of an Israeli Phantom brought down near Damascus was shot dead by a MiG17 pilot as he was descending by parachute.

Qatana, Syria, June 7.—Wounded Syrian prisoners of war were just repatriated today accused of Israel of treating them and neglecting to give them proper medical treatment.

"Though we treated Israel's prisoners with every possible care, the Israelis inflicted psychological torture on captured Syrian wounded, through wrong or insufficient medical treatment," said Colonel Iskander Nabza Yazagi, the doctor in charge of the military hospital 20 miles south of Damascus.

He added that 120 out of the total of 382 prisoners repatriated yesterday will need further treatment and operations "to correct the negligence of Israel doctors". Twenty of them should have been returned during the first exchange of wounded prisoners last week as they are still hospital cases, Colonel Yazagi said.

The prisoners said they were handcuffed, blindfolded, beaten and kicked. They were put in solitary confinement in small cells for up to three weeks during periods of intense interrogation.

On the other hand, Lieutenant Ahmed Khadr el Hassan, aged 24, a MiG pilot, shot down and captured on September 13, a short while before the outbreak of the October war.

His spine was injured and he was still so painful that he could not walk unaided. Despite this, he claimed, he was kept in an Israeli hospital for only eight days during which time an Israeli doctor examined him once for a few minutes, ordering him to get up and walk.

More than a dozen other prisoners interviewed made similar accusations against Israeli doctors. They claimed that a doctor examined them superficially only once when they were admitted to hospital and then long as 24 hours after they were captured. They had no further attention from a doctor, and hardly any from nurses, though their wounds kept them bedridden for months.—AP.



M. Poniatowski, the French Minister of the Interior, congratulating Mlle Florence Hugodot after the announcement that she would be the first woman sub-prefect in France's history.

Problem of a prefix for a Sous-Préfet

From Our Own Correspondent

Paris, June 7

A tall, 25-year-old blonde has become the first woman to penetrate the French prefectural system, the long arm—sometimes the strong arm—of the central Government in the provinces.

M Jobert decides not to bow out gracefully

From Richard Wigg

Paris, June 7

M. Michel Jobert, who was Foreign Minister under President Pompidou, indicated today that he is eager to get back into politics again. He is perhaps the most distinguished figure among those passed over by President Giscard d'Estaing—he backed M. Jacques Chaban-Delmas in the first round of the recent presidential election.

The significance of his remarks is that they come right after last night's vote when the Gaullists backed M. Jacques Chirac, the new Prime Minister, in a vote of 297 to 181 on a confidence motion in the National Assembly, but did so with a marked lack of enthusiasm.

The Gaullist party has been displaced by President Giscard d'Estaing's own Independent Republicans and its Reformers' Movement allies. The present disenchanted mood could give Jobert, the most faithful of the Pompidouians, the chance to capture their secret allegiance.

Curiously, in last night's debate it was M. Christian Fouchet, a veteran minister under General de Gaulle, who was able to give voice from his position as the deputy who refuses any party

and who abstained in the vote—to that Gaullist rank-and-file disenchantment.

In a radio interview M. Jobert characteristically backed into the limelight, remarking that he believed it would be wrong for him not to interest himself in what was happening politically under the new Administration or in "what could be organized in this country". Political friends of M. Jobert are believed to be looking for a National Assembly seat for him, although the former minister also hinted at the creation of a new political "movement".

M. Jobert made clear that his chief interest now would be France's domestic politics, a field he knew well when secretary-general at the Elysée under M. Pompidou. In the last months of the Pompidou presidency M. Jobert was shown by several public opinion polls as a surprisingly popular figure.

M. Fouchet, in his assembly speech, skillfully whipped up latent Gaullist suspicions that President Giscard d'Estaing's "Atlanticism" will include opening France up to further economic penetration from American multinational concerns. He accused the President of possessing a "dominating temperament", wanting always to humble the weak—in this case the Gaullist losers of the election.

been purely a custom in France and the subject of no law. M. Poniatowski declared: "I am against all kinds of discrimination and segregation; women can have as much character as men. One has seen that clearly in the past."

He announced that he also intends to open the examination to admit women as police commissioners as well.

Interviewed on French radio, Mlle Hugodot said she had always believed that one day a woman would join the prefectural service. She indicated that she was in no undue hurry, however, to storm the ultimate pinnacle and become a full prefect.

Priest charged after Mafia man's murder

From Our Correspondent

Rome, June 7

Don Agostino Coppola, a Sicilian priest arrested in Rome recently for alleged participation in a Mafia kidnapping organisation, has been charged with complicity in premeditated murder.

The alleged victim was Signor Vito Gallina, aged 39, a member of his parish at Carini, near Palermo, who is believed to have refused a Mafia "request" to hide a prospective kidnaper, the 14-year-old daughter of a wealthy electrical appliance manufacturer.

Don Coppola believes that the "request" was passed on by Don Agostino to Signor Gallina at a village near Ancona where he was in exile for Mafia activities, and where the industrialist also lived. A few days later Signor Gallina was found with his throat cut.

Monna Lisa going to Moscow

Tokyo, June 7.—Leonardo da Vinci's Monna Lisa will go on view in Moscow after being shown at an exhibition here which ends on Monday, a French Embassy spokesman said today. The painting, from the Louvre, has been in Tokyo since April 19.—Reuter.

White House harassed by 'defence fund' allegation

Continued from page 1

each other. It came while in another courtroom, a judge was considering Mr Nixon's motion to have the full list of Watergate co-conspirators published, now that the secret of his own listing by the grand jury is out.

Legal sources say that their naming of Mr Nixon as an unindicted co-conspirator has extraordinary legal repercussions. For instance, he could certainly not now resign without concluding a "plea bargain" with the prosecutors to avert prosecution.

More germanely, all his tape transcripts, seen previously by a classical hearsay can now be used as formal evidence against all those fellow co-conspirators who are facing trial. In return they will have a right, difficult to assail, to have Mr Nixon's personal testimony in their own defence. Congressman Peter

Rodino, chairman of the House judiciary committee impeachment inquiry, has stated the name list is a very serious matter. At the White House, spokesmen were wrestling with a new horror. The *Washington Post* reported the President last year offered Mr Haldeman and Mr Ehrlichman help with a secret defence fund. Given the earlier implications of hush money accusations the allegation was explosive. The story was based on secret testimony given the Senate Watergate committee by a former Haldeman assistant.

Today Mr Nixon's spokesman, with extraordinarily careful wording, conceded Mr Nixon "in a legitimate human and natural way" had discussed lawyers' fees help with the two men, but insisted nothing had ever come of it.

There is not now, nor was there ever, any defence fund set up by the President, or any of his friends.

African mercenaries 'heading for Bissau'

Dakar, June 7.—The African national movement in Portuguese Guinea said that a force of African mercenaries in the pay of foreign powers was heading towards the territory's capital of Bissau in two ships.

A message from the movement's headquarters in Conakry, Guinea, did not say where the force had boarded the ships.

But the communiqué, from the African Party for the Independence of Guinea-Bissau and Cape Verde Islands (PAIGC) said most of the mercenaries were recruited among nationals of the territory who had been trying for years to oppose the PAIGC from Dakar.

The force included men from "other African countries and elsewhere", it added, and claimed the mercenaries' aim was to "liberate some African units of the Portuguese armed forces and take control of the capital."

Traitors and opportunists in Dakar would then present themselves as a third force (between PAIGC and the Portuguese Government) the communiqué added.

The Government and PAIGC are due to resume talks in London tomorrow on the future of the territory.

PAIGC appealed in the communiqué to the Organisation of African Unity (OAU)—of which the self-proclaimed "Republic of Guinea-Bissau" is a member—for political and military aid.

The OAU ministerial council is meeting in Mogadishu, Somalia, to prepare for the annual African summit next week. The communiqué also said PAIGC held the Lisbon Government fully responsible for the situation "which would in fact lead to the continuation of the current talks for a negotiated settlement."

A strongly worded state issued by Mozambique today high command warned political public meetings lead to clashes with "legally established power to a confrontation with forces of law."

Mozambique's military said a village about 120 north of Beira was burnt by guerrillas early today. The razing of the village out of loss of life led to special that the guerrillas might adopt a more drastic after weeks of preliminary peace in Lusaka.—Reuter.

Our Salisbury Correspondent writes: Black nationalists have been detained in the remote Gonakudungwa detention centre in south-eastern Rhodesia have been moved to prevent their escape. The "rescued" Frelimo guerrillas.

Gonakudungwa is about miles from the Mozambique border and among those there has been Mr Jc Nkomo who was a key figure in several black nationalist parties during the 1960s. It is also believed that other black nationalist like the Rev Ndabangani Sili who was jailed some years ago for planning to assassinate Ian Smith, has also been moved.

Dr Soares, the Portuguese Foreign Minister, had talks in London with the PAIGC late last month and the discussions were adjourned until tomorrow for both sides to consult their authorities. Dr Soares has since been holding talks in Zambia with the Mozambique Liberation Front (Frelimo).—Reuter.

Our Lisbon Correspondent writes: Dr Soares arrived from Lusaka via London today. He is making a report to the Portuguese Government on his preliminary talks with Frelimo leaders.

Dr Soares said on arrival that his talks with Senhor Samora Machel, Frelimo's president, had been cordial. "My mandate was to go to Lusaka to initiate conversations, make a global analysis of the situation and explain Portugal's position, saying that Portugal is ready to negotiate a ceasefire."

Dr Soares said President Kaunda had referred to a pos-

ible invitation to President Spolito to visit Zambia, an invitation was accepted visit might occur on forthcoming visit to the bique.

Dr Soares told Reuter initiatives had been taken to open a dialogue with the leaders in Angola, the main territory in west Africa.

Twenty-one Portuguese soldiers were killed in action during May and 5 wounded, according to a bulletin from the forces there. The nation killed 12 civilians and 21.

Most of the casualties, red in three enemy action of which was the no enclave of Cabinda, and the Serra Pingano area seven Portuguese soldiers killed in an ambush.

Mogadishu, Somalia, June 7.—Dr Soares offered an OAU representative to discuss the future of African colonies sources. OAU conference said.

Senior ministers from 16 nations discussed it quest today on the second of their eleventh annualing and initial reaction favourable.—UPI.

General Amin changes mind over expelling British

Nairobi, June 7.—The British community in Uganda is not to be expelled in spite of threats by President Amin to expel it, he has described as a malicious propaganda campaign by Britain, according to reliable sources in Kampala tonight.

Radio Uganda reported tonight that the BBC, which has been at the heart of the campaign, was to be given "one more chance."

If it did not end its propaganda campaign the threat to expel the whole British community of more than 1,000 still stood, it said.

The radio said the Britons in Uganda could consider themselves lucky. President Kenyatta, for the British community which has been under the threat of expulsion for the past three days.

Today Mr James Hennessy, the acting High Commissioner, joined other diplomats in a tour of Kampala, presumably direct to President Amin, and had advised against any drastic action being taken, the radio said.

The radio announcement came at the end of a tense day of Kampala, when the British community was under the threat of expulsion for the past three days.

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An appointment for Mr Hennessy in the senior press office to receive the announcement of "dr steps" by General Amin to the British was cancelled.

"It is our understanding the moment that this message will not take place follow Mr Hennessy's meeting with President Amin, an official of the High Commission."

"Of course, one cannot be per cent certain, but that is understanding."

At last night's meeting Mr Hennessy, President A said that, unless the BBC stops its propaganda, serious British community. Two ago he threatened to order Britons out of the country within 48 hours.

There are about 1,100 British in Uganda, including about missionaries, but the High Commission reported there had a few inquiries about plans evacuation in the case of a crisis, but no one expressed a desire to leave unless necessary, the off said.

To emphasize the calm, the High Commission was going ahead with plans for a reception for 700 people Tuesday to celebrate the birthday of the Queen, President Amin and member his Government among it invited.

"Of course, as the head of state of a Commonwealth country the President is invited the High Commission said, cannot confirm whether he accepted, but it is quite a for him to accept such invitations at the last minute Reuter.

British Leyland strikers held in Spanish church

From Our Correspondent

Madrid, June 7

Armed police entered the Spanish Cathedral to break up British Leyland strikers held last night, arresting six strikers it was reported here today, though the police have said strikers' meetings in the cathedral three times this week, the first time arrests were made. Church authorities, who permit the police to enter, not authorize the police to enter the cathedral to break up the strikers, who were demonstrating in support of a 14-day strike of British Leyland's subsidiary, Autol.

The Autol workers are demanding pay rises of 40 per cent and the reinstatement of workers dismissed after a labour dispute last December. The company has offered 15 per cent which is less than the rise in cost of living over the past year.

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British girl arrested as 'human trafficker'

Berlin, June 7.—British Embassy officials were today demanding a meeting with Miss Susan Ballantine, the British girl arrested on a charge of trying to smuggle her East German boy friend out of the country.

Miss Ballantine, aged 22, who was brought up in Cheltenham, Gloucestershire, was detained by East German border guards six days ago.

Several weeks earlier Communist authorities had foiled an escape attempt by Herr Volker Benes, her friend, who is a trainer with the East Berlin Dynamo football club.

According to a close friend, Miss Ballantine was a language student who had worked as a translator for the central committee of the ruling Social Unity (Communist) Party.

Her West Berlin lawyer said she had been charged with "anti-state human trafficking", an offence which carries a maximum 15-year jail sentence, and with assisting an escape attempt.

Miss Ballantine had been living in West Berlin for several months but was well acquainted with East Germany through holidays at youth camps.

She was arrested at the border crossing point between West Berlin and East Germany on her way to spend the Whitsun weekend in West Germany.

Several weeks earlier, apparently on the day her friend's escape attempt failed, she had been detained at the border for several hours before being given a free passage back to West Berlin.

Miss Ballantine's lawyer received advice from across the Berlin wall today that East Germany's leading defence lawyer, Herr Wolfgang Vogel, will be handling her case and that of her friend, whose club is in the national first division and reached the European Cup Winners' Cup semi-final round two seasons ago.

The East Germans treat as a most serious crime what they call anti-state human trafficking,

an activity that has drained to the West some of the best brains, especially doctors.

But the targets of the East German authorities are chiefly the professional escape organizations in the West which charge up to DM40,000 (about £6,600) a head for their services.

The arrest and sentencing of offenders from these organizations, usually from among drivers and couriers, are fully recorded by the official East German press. But the private cases are not mentioned.

Reliable sources here say that Miss Ballantine is certainly not the first British citizen under arrest for trying to help an East German flee his country. Among several Westerners in jail for "human trafficking" there is at least one Briton, the sources say.—Reuter.

Health hazard: Miss Ballantine's father, Mr Cecil Ballantine, aged 43, a lecturer in English at St Mary's College of Education,

Cheltenham, said last night: "We are going to be guided by the Foreign Office at the moment. They are trying to get consular access. We are concerned because the sentences for conviction on these charges go up to 15 years."

"We are also concerned because Susan suffers from migraine, and the treatment she had when she lived in East Germany was not very good. I hope that medical arrangements can be made for her."

"I met Volker Benes when I was in East Germany last year. He is a leading East German sportsman. Neither he nor my daughter spoke about him leaving the country. She had free access to him and I should think she saw him two or three times a week."

Mr Ballantine denied reports that his daughter came from a communist background.

ابن الجليل

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Friday June 8 1974

THE TIMES

SATURDAY REVIEW

Now that all the talk is of new worlds, I feel that I myself am bound for the Columbus in a hurry to home. I have caught a use of a new heaven and fashioned by Woolworth's the BBC from the wreckage of the spider carcasses and the spidery carcasses, and I prefer that grew out of the fallen very pillars of the Forum of temples that had been down.

more than 20 years I have made and made worlds, both old new: some that existed, that existed only as I saw, and for me alone until I to my generation the key-ome that I created. Of the existing in the past, I one in Cambodia, and it to you floating upon wings of kingfishers, or—part of it—in the pe and mountains of Guate in those vast churches, and cloudy with incense, floors of which are led with rose petals and with stars of candle-vast churches built for Christian chairman of a of ruthless, obsolete gods, heathens—but that world re for another occasion. familiar, of Spain and or the peculiar ancient erranean world which is so it to focus, and which you ter, for instance, through ion Gate at Mycenae, a built momentarily anew a same sky and the same rushing with gully th through that gully cuts off every other ach: a world of vast helmets, gold masks and a tomb. The out of deat worlds of which for tant I caught sight was at ten-party given by Prince in April, 1934. Let me, try to catch that moment, a first we must have maps haria and Chinese post- and generally become



the Pu-Ru, a cousin of the Emperor Hsiang-tung—or of Manchukuo—was, at use of which I speak, the member of the former al Family allowed to in Peking. This force on the part of publican Government and y elders was due to the in which he was held bout the length and and, in this con- the phrase cannot be ed as a cliché of the country, as being the modern exponent of the calligraphy, the basic art- and, the leading fragment of his writing change hands at public for several hundreds of

He and his wife, also a mem-ber of the Manchu royal house, their in a palace—or rather the portion of one palace their res-idence had originally formed a wing of the Imperial City, until the Emperor Ch'ien Lung had severed it from the main body, and presented it to one of his younger sons; from whom the present owner is descended.

And you must realize that the word palace here always denotes not a single building, standing by itself, but an organization of groups of tiled and painted pavilions in a series of gardens, and also that, because Peking is built of houses of one story, except for the Forbidden City and the Gates, it covers an immense area. It contains huge thoroughfares—planned, it is said, by Kubla Khan—and innumerable small, thronged streets, and then, suddenly, you will come to a house back of a broad *cul-de-sac*; it may be, where it seems as though no one ever passed. The houses are ripe with age in this empty sunshine. This grass grows between the cobbles; there are no stalls for food or tea, no children, in their broad, padded coats, stamping and tumbling in the dust, no pie-bald dogs, no old gentlemen carrying bird-cages in which their pet are waiting only to be uncovered before they start their song.

There are no street sounds, no echo of gong or wooden clapper or bell or running fork, no cries of the men who sell the innumerable delicacies of the season: spring chickens, ducks fattened in collars, dumplings, smoked fish or the common water-chestnut or sunflower seeds. . . . It was out of such a broad and stagnant street, or place, as this that you entered the palace of Prince Pu-Ru.

The prince was not a rich man—there are few rich men in China, except, it may be, for various aristocratic missionaries and their children, or the sons of former statesmen of the Dowager Empress or the relatives of retired and peace furnished for graft and favour, not commerce, brought the great fortunes of the East. In consequence—and because the prince was an artist—the palace had remained unspoiled. The right exterior painting, vermillion and green, of the halls were dry and flaking, and the ceilings and walls showed in places the ingenious, sombre lacquering of the snows of this year and yesterday, which three times every winter roll a carpet of thick swans-down over the fleshing golden tiles of the Forbidden City, and the herringbone-ribbed grey tiles of the Tatar and Chinese cities.

In the first room, in which we waited, I remember that two pots, containing diminutive fruit trees in flower, stood between the windows; these dwarf trees that were grown in Peking for house decoration, with the significant and distorted line of their small, crooked branches, and with blossom—cherry or peach—the precise counterpart of that which you see in a Chinese painting.

Soon the prince came in, and I was presented to him. He was a sturdy figure, in a dark-blue robe, with a face broader than the ordinary Chinese face, and thoughtful and kind in his cast. He talked to me for some time through the friend who had brought me, and who, now interpreted, albeit, indeed, the exquisite courtesy and dignity

of his manner needed no trans-lator. Before long the princess joined her husband and helped him to show us—for my friend was a celebrated connoisseur—some of his treasures: small bronze vases of great antiquity, and a huge carved emerald which had belonged to that great collector, Ch'ien Lung. This stone had a rippling surface like that of water, green water, containing a lost upfashionable depth of light. Of the purest colour, it was the size of the prince's foot—remarkably small, though the feet of Manchu ladies had never been bound. . . . All this time, from behind a pane of glass in the wall—the windows, of course, were of oiled paper—very beautiful Chinese girl, her face painted in a florid, extremely stylized manner, and wearing an elaborately embroidered Chinese robe of blue silk, was watching us. But presently, when tea was brought, she came in to wait on the prince. At the end of the interview the prince told us he was giving a garden-party the following week, and invited us to be present.

The importance, as it turned out, of this function was that it proved to be the first Manchu social event that had taken place since the Marshal Feng Yu-Hsiang's troops, doubtless at their leader's inspiration, had forced their way into the Forbidden City, and the young Emperor had been obliged to escape some ten years before. And, when the afternoon arrived, it seemed as though, in itself, it might have been worth waiting for through a whole decade. Certainly, in England, it would so have seemed. But in the climate of northern China such a day as such a time is to be confidently expected.

The seasons are unbelievably regular in the incidence of their weather. Each fall of snow in the winter, each graduation, almost, of temperature, can be predicted. Thus, at the winter solstice, it is customary in Peking to make a "Nine-Nines Chart of Lessening Cold", composed of nine patterns and 81 small circles, or else to paint a plum branch in outline, bearing on it nine blossoms with 81 petals, so that a circle or a petal can be struck off each day before the fulfilment of the spring.

But now the Feast of Exalted Insects (on the morning of which day, it is said, the heroes return to the most of the Imperial Palace, leaving for the south again about five months later, on the evening of the Lantern Festival) was long over, spring had come, its Feast of Ching Ming, or Pure Brightness (when all good citizens wear circlets of willow, sweep the graves of their ancestors, and burn coloured paper money on their behalf, so that they can purchase little luxuries beyond the tomb), had gone by. Each day seemed finer than the last, and the effervescence of



Emperor Ch'ien Lung

Old Worlds for New

by Osbert Sitwell

spring was everywhere to be felt, in the fairs held within temple precincts, in the streets, in the broad roads or in the quiet lanes, by the lake of Pei-hai, by the moat, by day and by night.

The advance of the year was so rapid you could almost hear the branches of apple and quince and wistaria creaking with the life within them, almost see the sticky buds first appear, and then unfold and open into their spice-breathing cups, and tongues and turrets. And, since the object of this party was to see the crab-apple trees in bloom, no afternoon could have been more fitted more consecrated by nature herself, to this purpose. It might have been fashioned for men to savour the scent and essence of such trees in flower, and the gay, sheep-skin clouds, flecking the dome of the sky, were translucent as the clustered pearls themselves.

We drove to the palace in our rickshaws, and were kept sitting therein for a minute or two in the deserted space outside, while at us with a curious air of so intensely a nature as to proclaim that it had not been properly satisfied for many years. The whole troupe consisted of about 20 persons, 10 on each side, and they were dressed in long robes of yellow-coloured cloth. They were tall, a few of them inclined to fat, but one thing they all shared in common: their rather colourless faces, on which many lines were deeply incised, bore an oddly veanzen look, like that of green and wrinkled apples.



They stood now, as we passed through, hanging on to the doors in order to have an excuse to scrutinize us minutely, staring at us with a curious air of so intensely a nature as to proclaim that it had not been properly satisfied for many years. The whole troupe consisted of about 20 persons, 10 on each side, and they were dressed in long robes of yellow-coloured cloth. They were tall, a few of them inclined to fat, but one thing they all shared in common: their rather colourless faces, on which many lines were deeply incised, bore an oddly veanzen look, like that of green and wrinkled apples.

I had been sure, when first I set eyes on them, that some-where not long before, I had come across beings of this same order. . . . And then the memory had come back of the tea and gossip—albeit incomprehensible to me—that I had enjoyed with the ancient inmates of the Ancestral Hall of the Exalted Brave, an ambience for retired eunuchs in the Imperial service which I have described in a chapter of *Escape With Me*. But the youngest of those pensioners had been at least 15 or 20 years

older than these, the last recruited eunuchs of the Forbidden City, who now confronted us.

Rather they had fled from impending massacre—although they had first made sure that their young royal master had also eluded it—on that terrible night in 1924; here, in this palace that seemed to stand forgotten in its large grounds, off the main ways of the city, they had found a sanctuary with Prince Pu-Ru's father. And, though now they could discover no means, as formerly, of making great fortunes, though now they were not living in the lavish grandeur in which for so long the people of China had been obliged to keep them, this curious and artificial sept perpetually recruited from the ranks, nevertheless they at present constituted its only living representatives in the whole of China: anomalous beings who were actually still pursuing their duties, which were the same as those of the eunuchs who had guarded the divine thrones, ever since they were set up, of Babylon and Ur, the Indies and China, Byzantium and Turkey.

The gardens seemed immense, as we got out of our rickshaws and began to walk. Inside the boundaries of their walls, crowned with yellow tiles, were groves of old cypresses, the frond-like arrangements of their fronds lying upon the air as though they were layers of blue-green smoke, there were eighteenth-century water-gardens, now dry but full of wild flowers, and there were the stunted, gnarled, and gnarled, the crooked and ancient fruit trees which constituted the chief pride of their owner.

As we approached the pavilions, we noticed how many guests had already arrived. And although there was nothing political about this gathering in intention, the atmosphere was heavy and strange, laden with feeling for the old régime, for here, today, within this green domain, walking slowly as tortoises, hobbling, waddling, crudding, a few of them almost crawling, were all those who had come through from one world into another. Most of them, indeed, appeared to be very old. Some had been in hiding ever since the death of the Dowager Empress, some since the first revolution, some merely since the flight of the young Emperor; none, you would have pronounced for at least a decade.

Looking at them, it was at once possible to see that these Manchu nobles, in spite of their infirmity, and though very different from their ancestors, the simple warriors, with their outlandish ways and barbarous foods—that belonged more to the tents of tribes wandering through the vast plains of Manchuria and Mongolia, and over

the wild mountain ranges, than to the inhabitants of palaces—were yet incontestably the members of a ruling cast.

Though they approximated now to the Chinese, in the same manner, let us say, that the English families settled in Ireland came to resemble the Irish—nevertheless, their faces were emphatic, their noses more emphatic, they had all the air of those in whose blood existed the capacity and inclination to command. Old, old men, their beards thin, their benign but resolute faces wrinkled round the corners of their eyes by the hot suns of the Chinese summers and by their bland smiling through several scores of years, they had, since the collapse of the Imperial power, remained in the discreet seclusion of their households and ancestral temples.

Today they had come out, and their famous names and titles, now forgotten in the city outside, had been announced with a renewed flourish. Many of them supported their weight on sticks, many leaned on the arms of younger relatives, and a few were so frail that they had to be aided, or even carried, by two men. But they had come out, and they all wore proudly the robes of maroon and mulberry and puce that belonged to their race, and—though this last was an indictable offence in modern China—some of them, or of those who supported them, boldly paraded pigtails.

The princess was the only woman to be seen, and as she and the prince went the round of the guests, obeisances were low. A certain feeling of sadness, it is true, permeated this almost ghostly congregation. The very welcome, even, which the eunuchs at the gate had accorded to each guest well known of them, the shrill cries of recognition and enthusiastic squeaks of greeting contained, too, something of a nostalgic quality. In this enclosure, this oasis of the past, a lost world revived. The hoarse, ritual shouts of the Eight Banners as they entered the Son of Heaven, moving

These foods survived in perhaps a modified and more civilized form until lately. A Manchu chili servant, who wrote just before 1900, has left in a book he wrote *Manchu Customs and Festivals of Peking*, by Tun Lich'en, translated and annotated by Dr Derek Bodde. Henri Vetch, Peking, 1936, an account, for example, of a banquet called for the last time by a Manchu prince, this last being a fermented liquor made of mare's milk and a typical food of the nomads of northern Asia. These cakes, he tells us, "are cooked during the night, when the weather has become extremely cold. Their pure whiteness is like frost, and when one has them in one's mouth, it is as if one were crunching on snow. They have a special flavour of the north. They are made into the shape of plum flowers, or other flowers, joined at the corners."

through the courts of the palace as the sun moved—so it was held—through the sky, seemed to be audible again in the distance to sentient ears.

These old men could recall so vividly the precise unique walk, a kind of conventional totter, as though upon stilts, decreed by the usages of antiquity for the Emperor of China, and the unique Imperial voice, inhuman—and so, godlike—loud and high, of which the very recollection was dead (though once I was fortunate enough to hear an imitation of it, given by a Russian who had been received in audience by the Dowager Empress—but he was rather drunk at the time, and nobody except myself would listen).

Outside, each man was a stranger to each man, was a shadow belonging to the past. Now, it was only within the compass of these walls that there existed yet a sense of relative importance, that everyone could share with exactitude the identity and position of each man present. Outside, there was nobody to whom to talk, nobody who remembered anything. . . . And, kindling in this new warmth, the guests, after greeting their host and hostess, passed on, beyond the pavilions, in the direction of the orchards.

Perhaps they could scarcely be termed orchards, because the trees, being grown for their blossoms rather than their fruit, were irregularly disposed, and were fewer to the given area than is our custom. Bent, contorted with age as the old men who were now on their way to inspect them, they must have been planted some two centuries before. Each of them might have been shaped by the green fingers of a Chinese God of Growth, each was as exquisitely placed upon the green turf as any figure upon a scroll by the hand of a great artist. Perfect in their balance and grotesque posture, some inclined, at the precise angle best calculated to display their unexpected and singular grace, while one tree, even, lay on its side and blossomed on the ground. Slowly, patiently, the old men hobbled along the crooked, paved paths that zigzagged to these trees. When they reached them, they were conducted up small flights of stone steps, so fashioned that, saving where the steps showed, they seemed natural rocks that had crumbled up through the turf or had fallen from the sky. These flights, their tops level with the tops of the trees, are thus placed near apple and pear and peach and quince and cherry, so that the connoisseur can obtain a perfect view of the blossom.

Even to a newcomer, inexpert in the flowery lore of the Chinese, from each different plane, the particular view of the tree for which the step had been constructed offered a revelation of a new world: of the same kind as when first you fly in an aircraft above the clouds, and look down upon their fleecy humps, white and golden—except that clouds disperse, are opaque, and do not favour an ordered development.

To the Chinese amateurs of the garden, however, these steps offer even more than to someone, like myself, who was fresh to them. In consequence, the old gentlemen persevered—for it was difficult for them to ascend

such crags. Many of them took a long while over the process, and only gained the summits by the help, as it were, of guides. Next year, one felt, they would require ropes as well.

Once there, they would remain for a full hour, matching in their minds the complexion and fragrance of the blossom of previous years with that before them. Then, after the general examination of the crop, came the more intimate tallying of one branch, one flower, one bud, with another, and finally it was necessary again to consider the entire grouping and design.

But the bees, inordinately busy and managing, behaving as though they were old women in a market, got in the way, and even the less industrious butterflies obscured the view with their gaudily decorated sails or dragged down a petal too heavily when suddenly they perched upon it. . . . Critical appreciation of this high order could not be hurried. After all, it was better fully to use now the powers of judgment with which the years had enriched them, and to apply their trained abilities in this direction, for, in the order of things, they could scarcely hope to see many more of these flowery harvests.



So, they stayed on. . . . But, alas, it was time for us to go. We said good-bye to our host and hostess, and turned away towards the gates, towards the new world of Salvation Army shelters and American Mother's Days, of corrugated iron and coco.

But as I looked back I could distinguish in the distance the tops of the trees, so old, yet so intensely alive, producing these living hives of fragrance. Living translucent clouds of snow and roots, edged with powdered gold, and on the top of every flight of steps I could see, too, a decrepit dignity of the extinct empire, his robes of maroon or burnt causing the blue of the sky to vibrate more intensely.

Each old man stood, motionless above the blossom, staring down at its frothy intricacies, waiting there with a certain solemnity, it seemed, and a proper sense of the occasion—for even tomorrow this perfection would be tarnished and it would be too late to form a considered opinion, even one day would have made all the difference: each old man waited, thus quietly under the immense blue dome, as though he were a watcher on a tower, or the guardian of an ancient shrine calling the faithful to worship.

This extract is taken from *Queen Mary and Others* by Osbert Sitwell, published by Michael Joseph at £3. © 1974 by Frank Magro.





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MEXICO

a Special Report on investment
and the tourist industry

Tourism now nation's lifeblood

Michael Frenchman

Physically Mexico lies at the crossroads of the world map. To the north are the United States and Canada whose visitors bring in 80 per cent of the country's tourism; to the south, Central and South America, a country with an enormous potential.

Last half year or so, like Spain and the Caribbean, Mexico has been hit by the energy crisis. Last year the gross tourism amount was 1,388m (more than representing 90.6 of the overseas earnings).

As other countries, Mexico is anxiously seeking investment. The tourist industry is now an essential part of the country's economy.

There is an enormous market for tourists. The tourist industry is now an essential part of the country's economy.

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There is an enormous market for tourists. The tourist industry is now an essential part of the country's economy.

under-secretaries have to attend the commission's meetings. In this way there is direct coordination at top level between the Ministry of Works and the Ministry of Communications. There is no problem about the land knowing what the right hand is doing. The object of the commission is to cut down red tape and to concentrate effort. Any conflict of interest is resolved by the President himself who keeps a close watch on all tourist developments.

There is also the Tourist Department which is responsible to the executive commission. Its main task is planning national tourism including the appropriation of land; the Tourist Council promotes tourism through its offices abroad.

The newest tourist agency Fonatur which is basically a refinancing institution created by the February law which replaces a similar organization called Infatur which was active last year.

Fonatur is headed by Señor Antonio Savignac who is one of the most far-sighted men in Mexican tourism. His dedication has been an inspiration to others to put Mexico on the tourist map.

It is through Fonatur that most opportunities for investment exist and Fonatur has conceived and is executing many of the major development projects for which it provides financing and exercises planning control.

Basically Fonatur acts as a "sifting agency" for loan applications from both Mexican and foreign sources. If approved, Fonatur recommends the borrower to approach any of the 32 banking institutions who will lend up to half, sometimes 60 per cent, of the cost—initial opening and running expenses—of a project.

These loans are made for up to 15 years at 10 per cent. There is also the three-year grace period at the beginning during which no interest is payable.

Tourist Department by providing finance to rediscount the loans to developers and for subsidizing infrastructure for town developments in designated tourist areas—roads, main services, airports and marinas.



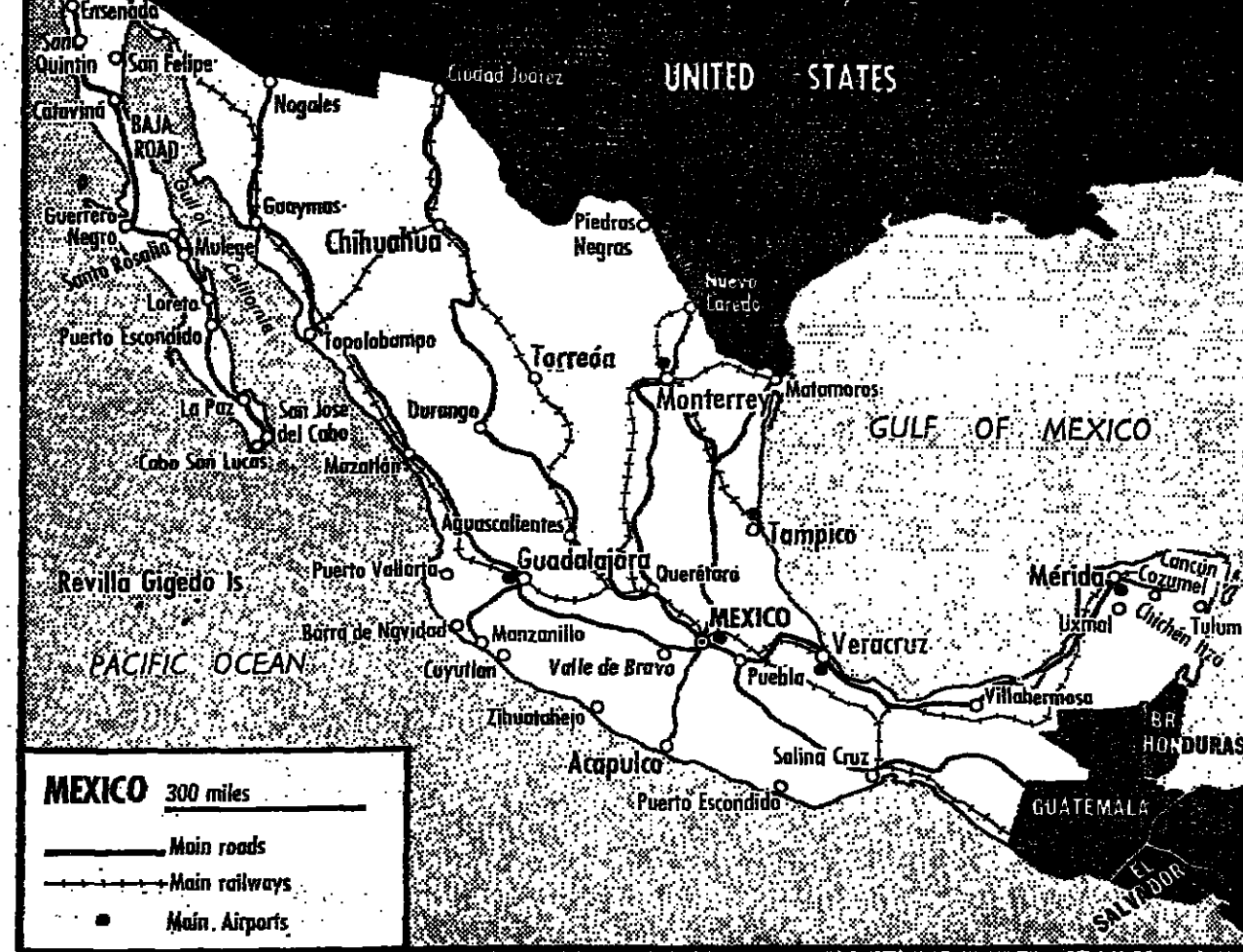
The tourist city of Cancun, on the Yucatán peninsula, is basically the brainchild of Antonio Savignac (above) whose inspiration and dedication cut through the red tape and got the project off the drawing board.

During this time the purchaser, or borrower, has put forward costs, plans, timetables, marketing information and financial projections showing his profit and loss accounts.

Two of the major projects which Fonatur is promoting are at Cancun, on the Yucatán Peninsula, and Ixtapa, just north of Acapulco, on the Pacific. Cancun is without doubt one of the most exciting tourist projects of any country. Started only a year ago, it includes the construction of a complete tourist city on a narrow sandy island off the Quintana Roo Territory on the Caribbean coast of the peninsula.

In that time, a town of 10,000 inhabitants, a jumbo jet size airport, and a dozen or so hotels have been started, the first of which opens next week.

Fonatur has invested \$25m for the supply of basic services and another \$215m is coming from the Inter-American Aid Development



Bank with substantial additional financing from the World Bank.

Cancun adds a new dimension to tourist development and is basically the brainchild of Señor Savignac whose inspiration and dedication cut through the red tape to get the project off the drawing board. This is typical of the kind of development that Fonatur hopes to achieve elsewhere in Mexico. Already it has attracted wide participation and interest from overseas—primarily from North America but from France as well, and the United Kingdom.

Mexicans have always been slow to invest in tourism themselves as they usually want a much faster return on their capital and have been more interested in the speculative elements. Foreigners have tended to be put off in the past because of procedural difficulties; in other words, red tape. It is hoped that this will be alleviated by the formation of the Execu-

tion Commission on Tourism, on the question of land tenure, and most important of all, on the problem of the amount of foreign participation in any project.

As Mexico has become more nationalistic in its attitude to foreign investment in recent years, some potential overseas investors have decided to look elsewhere where it is easier to place their money. Because of this, the Government last year published a new law for the promotion of foreign investment in an effort to clarify the guidelines which have always been rather nebulous, particularly as far as tourism is concerned.

"Come in on a partnership basis", is the plaintive cry heard from all official sources, "and play the game, the Mexican way." The new rules make it clear that the Government would like a 51 per cent Mexican holding in any new company established with foreign participation; however, there is in effect an escape clause that makes any

application for a bigger holding by the overseas partner a possibility.

In fact it is clear that any individual application for a major foreign shareholding will be considered upon individual circumstances by the National Commission for Foreign Investment which has been established to look at these problems in detail.

Partnership and compromise seem to be the catch words to new investment policy. President Echeverría is constantly reiterating the need for investment on a joint collaboration basis.

"Do choose a Mexican partner", he urges. Although the Mexican may have the controlling interest there are still no restrictions on remittances of profits overseas. "Even so", one businessman said, "why send your profit back home when you can probably make even more here by ploughing it back into the tourist industry."

subsequently in the past this has tended to slow several major overseas tourist development interests as the rules have never been clear.

Investment in tourism has meant primarily investment in an industry within what the Government terms the "forbidden zones". This is not as grim as it might seem. Successive Mexican regimes have always feared that an invading overseas power might find sympathetic support from any foreign resident living just inside her borders. For this reason, no foreigner can hold title to land within 50 kilometres of the coast or within 100 kilometres of Mexico's borders.

This would seem at first to be a severe handicap to any foreign company contemplating constructing a hotel or block of holiday flats which would more than likely be well within 50 kilometres of the sea. However, last year's law to promote foreign investment laid down a number of guidelines which have

clarified the situation on land ownership.

Dr Hermann von Bertrab, the chief trust officer at the Banco de Comercio, explained that the solution was to establish foreign land trusts which enable foreigners to hold the personal right to land along the coastal and border areas.

Dr Bertrab defines the trust as "the legal instrument by which a trustee delivers the title to property or a right, to an institution, called the trustee, which in turn, has the obligation of employing that property, or right, exclusively for the purposes for which it has been instructed by the trustee."

The beneficiary is the person for whose benefit the trust is established. There may be one or several trustees and one or several beneficiaries. The trustee may also be a beneficiary under the same trust.

One of the most important aspects of the Mexican trust is that only certain approved banking institutions may act as trustees. These are called trust banks (bancos de fideicomiso or bancos fiduciarios) which are authorized by the Ministry of Finance and controlled by the Banco de Mexico (the central bank).

Private individuals are not allowed to act as trustees. By means of a trust agreement, title and property are transferred from the trustee to the trustee creating a new form of property called a *patrimonio autónomo* (an independent estate).

The trust has to be formed by a Mexican national, or wholly owned Mexican company (these are the only ones allowed to own land in the forbidden zones). The Mexican trustee, who, in the case of a tourism project, may also be a partial beneficiary, names as beneficiaries a foreigner and a Mexican (or Mexican company).

The beneficiary pays the trustee an amount equivalent to the value of the land and he then forfeits any right to the "trust" property. Thus the beneficiary, the foreigner, retains complete control for a 30-year period during which he can in effect do more or less what he likes with the property. If he wishes to sell to another foreigner he can transfer his beneficiary rights. He can also subdivide his beneficiary rights; for instance, if he has built a large block of flats and wishes to sell individual flats to foreigners.

In the past there have often been considerable doubts as to what happens after the expiry of the 30-year

term. In fact the law provides that after this period the property must be transferred to the person or institution who has the right to hold that property, in other words a Mexican national or wholly owned Mexican company.

Therefore after the 30-year period the property is sold and since a trust bank is a wholly owned Mexican company it is reasonable that the trust may be transferred after the necessary authorization to another trust institution which may hold the title to the property having beneficiaries the same as other foreign individuals or companies.

Dr Bertrab says there have been a number of difficulties in the past over investment but he believes the new law has created a breakthrough which could mean a more receptive attitude to foreign investment. He feels that there are three major reasons why such investment should be made.

First, the possibilities and the market are high; second, the local investors lack skilled knowledge, and to a certain extent do not have the kind of financial backing needed; third, Mexican investors tend to be attracted by investment in more orthodox sectors such as manufacturing.

He added: "Some foreigners have come here—and stumbled—because they were interested only in the speculative element, others have stayed, survived their difficulties and taught us and the Government a lot about procedures."

For the smaller investor an interesting formula has been devised by Hotelera Nacional who are building hotels based on apartments. These flats can be bought by an individual who has the right to use them himself for a set period each year. At other times they are used by the hotel as ordinary rooms for letting.

This is called "Propiedad hotelera". Melia Hotels from Spain, who are developing their interests in Mexico, are constructing similar projects which they call "Apartamentos turísticos". This fairly new co-ownership-investment idea is attracting a lot of interest and spreading to many tourist-based countries.

Current estimates for the capital spending to provide hotel rooms are about \$10,000 a room. Investment in the hotels in Mexico has reached 16,363,000 pesos which has increased from a mere 3m pesos in 1963. New investment in the industry last year totalled 6,196,000 pesos.

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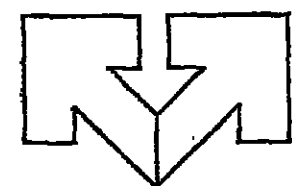
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State seeks private cash for holiday hotels

by Sidney Wise

A new type of investment in Mexican holiday resort projects is being promoted with the blessing of the Government. Private investors are being offered the attraction of placing their money in hotel resort centres, whose profitability has been subjected to feasibility studies, which can receive low-cost government financing, and which will form a part of a chain.

A novel element of this approach is that a Mexican state company is acting as the prime promoter in seeking private investment, both foreign and national. Also certain guarantees are being given, as well as facilities occasionally difficult to come by otherwise.

Nacional Hotelería has already arranged for the building of nine centres to be opened within the next two years and is now seeking investors for an additional eight projects scheduled for opening by 1976.

Until a few years ago, Nacional Hotelería was Mexico's biggest private hotel chain but poor management coupled with heavy govern-

ment loans based on influence rather than repayment ability brought it to the verge of bankruptcy.

In January last year, Nacional Hotelería became a government majority corporation. Its debts were capitalized and at the end of 1973 it showed a profit of some £200,000. Projected profits for 1974 are £1.2m.

Besides operating its own hotel chain, Nacional Hotelería is actively engaged in seeking investment partners for 24 resort projects to be developed over the next five years in choice tourist regions of Mexico. These will include hotels and condominiums as well as, in many cases, marinas, tennis clubs, golf facilities, commercial centres and residential developments.

The projects are being promoted by Nacional Hotelería, which will also act as operator. The resort project corporations will be wholly owned by private investors. Property bought by corporations or individuals on the coast or in border areas will be held in trust by a Mexican bank under the new Mexican foreign investment law adopted on April 30, 1971. However, investors may sell their property at any time they wish and will receive the full proceeds and profits thus obtained.

Señor Jorge Courralenc, director general of Nacional Hotelería, said the new foreign investment law had been misinterpreted in some quarters abroad as aimed at curtailing foreign investment. "Nothing could be farther from the truth," he said. The law was aimed at encouraging foreign investment while at the same time providing protection for such investments and profits.

Of the 24 projects which Nacional Hotelería wants to develop during the next five years, 19 are on good coastal sites. Ten are to be on some of the most attractive beach sites of Baja California, Cabo San Lucas, Rincon, San José de Cabo, Mulegé, Puerto Escondido and La Paz. Others are to be at Bahía Kino, Mazatlán and Ixtapa-Zihuatanejo, on the west coast and at Tulum, Campeche, Cancun and Chetumal on the east coast of the Gulf of Mexico.

Each project has been based on feasibility studies, including market surveys and growth potential. In addition, the land on which the resort centre is to be developed has been checked, as clear of encumbrances including claims from ejidos (farming communities). This can be a source of annoyance and uncertainty

in certain regions of Mexico. A basic theme of the Nacional Hotelería projects is to provide a partnership between foreigners and Mexicans and to avoid excessive American domination of the tourist industry. This, it is believed, provides greater investment safety over the long term, which might not be the case if tourism were to become completely dominated by foreign interests.

Long-term financing of hotels is to be provided by Fonatur, a government tourist development agency, at current rates of about 12 per cent for 15 year loans with a three year grace period. Investors in the condominiums will be offered between 18 and 22 per cent annual return and exchange facilities with other comparable condominiums in different parts of Mexico operated by Nacional Hotelería.

The average cost of condominiums will be approximately £16,000 with 15 per cent required upon signing of the purchase contract, an additional 15 per cent on delivery of the keys and 70 per cent through financing of up to seven years, at two and three quarter per cent above the London interbank rate.

Nacional Hotelería is negotiating with Chase Manhat-

tan and other large financial banks for low rate and financing packages of over \$100m.

Mexico has one of the world's highest rates of tourist arrivals. During the past decade the number of tourists has increased from 1,080,766 to 3,226,000. The income from these tourists produced more during the period, going from \$1.5m in 1963 to \$724.2m in 1973.

In addition, income along the coast with the United States increased sharply during the decade to reach \$1.5m in 1973. "The biggest problem Mexican tourism today is lack of hotel rooms," said a spokesman for the so-called off-season hotels at over 50 per cent occupancy. "Our second biggest problem," he said, "is that new hotels fast are not keeping pace with the flow of tourists abroad."

Frocks and furniture and ceramic turtles

by Janet Coates Barber

The Night of the Radishes is a festival celebrated each year in the city of Oaxaca. During the Christmas period figures of the Virgin Mary and the three wise men are carved from large and conveniently-shaped radishes which are grown locally.

Farther up the Pacific coast in the state of Jalisco, necklaces, small toys and miniature baskets of flowers are made from chicle, the raw material used for chewing gum. These are just two examples of the many popular arts in Mexico today.

It is unlikely that the radish figures will find their way into British shops but chicle necklaces might be available before long, together with many other examples of Mexican artesanía (handicrafts).

During the past three years the Mexican Government has been giving financial encouragement to many ingenious Mexican artisans.

The Banco Nacional de Fomento Cooperativo makes grants available to craftsmen for machinery, materials and technical assistance, to help Mexican handicrafts to flow at a faster rate to the United States, Europe and other parts of Latin America.

This government initiative, combined with the personal resourcefulness of importers in Britain means that increasing quantities of colourful and authentic handicrafts are filtering through to British shops.

It would be difficult to find a country which can provide such a great range of distinctive handicrafts as Mexico, yet, in spite of government help, problems of supply and transport still frustrate those anxious to sell these goods in Britain and many people concede defeat. It is those who have been prepared to solve the problems by going to Mexico to cajole suppliers to fulfil their orders, to ensure that goods make a safe exit from the port of Veracruz or leave on the right aircraft, who have finally achieved a measure of success.

White pine and mahogany

Mexicana in Lower Sloane Street, London, has been handling Mexican goods exclusively for about 10 years and the shop began selling mainly china and clay and glassware. The high percentage of breakages in transit was one of the factors that encouraged them to sell instead the exquisite cotton dresses for which they are now well known.

Painters' smocks in pinks and oranges, with simple embroidery, heavy striped caftans, and woven evening dresses—all in cotton—with satin ribbons and tassels, are included in their range. The white pintucked cotton dresses decorated with white lace are continually popular. Other white cotton poplin dresses have hand embroidered coloured flowers around the yoke and the black cotton lace Goya dresses have plunging necklines and flounces.

However, the supply of all dresses is difficult to maintain. Silal bags, wall coverings, embroidered in coloured wools, and tissue paper flowers, are also part of Mexicana's range.

La Caracacha in West Tottenham Street is the only shop in Britain selling Mexican furniture, and it also acts as wholesaler to some large stores in the provinces. It has taken about three years for the shop to establish itself. The price of the hand-carved white pine and mahogany furniture compares favourably with other furniture of similar quality.

The dark solid dining and coffee tables have a high

polish, which is well-complemented by brilliant wool wall hangings from Oaxaca and Jalisco. The chairs are also made mainly of white pine and mahogany. The leather seats and backs often have hand-tooled designs; other chairs have woven palm seats. Grape-tinted glass jugs and tumblers from Guadalajara and onyx chess sets are displayed on elaborately carved chests and cabinets.

Goods made from onyx form a large part of the stock imported by the Euro Latin Commercial Company: these include stained apples and pears from Puebla. The company, which has been operating for about three years, also imports glassware, woven sashes from Chihuahua, sisal bags and hammocks, and clay animals covered closely with strands of knitting wool which are stuck on with wild bees wax. Euro Latin has about 200 outlets in Britain and many of these are gift shops.

Silver offers some of the most exciting design possibilities. Aztec Silver is a new company which was formed after a lot of research, negotiations with Mexican silversmiths, high investment and strenuous efforts to meet the exact hallmark standards of the assay office. Aztec imports a wide range of handmade jewelry mainly in sterling silver, which is designed by themselves or the silversmiths who supply them.

Each item carries Aztec's hallmark and the stamp of the individual silversmith who made it. The traditional silver flexible fish with sapphire eyes has been one of their first successes. The fish, silver initial letters, and zodiac signs are used as pendants and have been appearing increasingly on magazine covers to the delight of Aztec's directors. Solid shiny grab bracelets, poison rings set with tiger's eye and abalone shell and a multitude of silver chains are also part of their large collection.

Silver rope belts with tassels are made from finely woven strands of the metal. These and the delicately engraved salt and pepper holders in the shape of strawberries or apples, show the variety of textures that can be created.

The newest items which will reach some of Aztec's 200 outlets in Britain soon are belt buckles. Designs are cut out of silver rectangles which are then filled with crushed turquoise. The most exciting silver buckle is in the shape of a turtle. A large agate surrounded by tiger's eye set in silver, forms the turtle's shell.

Other animals soon to be available from Mexico will include ceramic turtles, toucans, roadrunners and owls. These will be stocked by Casa Pupo of Pimlico later this year.



Painters' smocks and evening dresses are among the colourful Mexican cotton dresses available in London.



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Señor Ricardo Echegaray, director general of Baja's
National Hotelera, aboard his turbo-prop executive air-
liner during a tour of the peninsula.

area as yet unprepared for
the massive influx. If you
can imagine Italy with only
5,500 hotel rooms of which a
mere 1,500 could be classi-
fied as being of a reasonable
standard you have an idea of
the problems that the Baja
faces.

It is a land of harsh vari-
ety. The Gulf side, or "Sea
of Cortez", is a fishing and
yachtsman's El Dorado. The
coastline is an unending
chain of small bays, sandy
beaches and islets. Little
islands with crescent-shaped
beaches make perfect moor-
ings for the few yachts that
have made the 1,000 mile or
so journey from Los Angeles
and round the cape into this
inland ocean teeming with
fish of all descriptions.

There are supposed to be
over 500 different kinds:
from marlin to goatfish,
needlefish, black snook,
barred surfperch, spottin
croaker and amberjacks.

Apart from an odd Jerry
here and there at places like
Escondido, Loreto, and Baja
de los Angeles, there are no
facilities for the yachtsman
who must come fully pro-
visioned, watered and fuelled.

**Waters are deep
inky-blue**

The shore is mostly moun-
tainous and bare of vegeta-
tion apart from varieties of
cactus, one of which grows
80 feet high, and the
strangely named "elephant
tree". In some areas the
mountains end abruptly in
the sea with the deep-inky-
blue waters swirling below
the cliffs.

Occasionally the land rolls
gently down to a chamiso
yellow beach—fringed by
small, rocky islands. Each
bay is a new discovery like
Mulegé, where the Rio Santa
Rosalia flows gently into the
sea through a canyon darkly
green with shady date palms
imported from Arabia more
than a century ago, one of
the few trees that seems to
flourish here.



Señor Ricardo Echegaray, director general of Baja's National Hotelera, aboard his turbo-prop executive air-liner during a tour of the peninsula.

Slowly, but inevitably, the
beaches of the Baja will be
discovered as feeder roads
stretch out like a growing
octopus from the main metal
highway to the bays and
beaches. Baja de los
Angeles, the dreamlike
psychotic colour of Con-
cepcion Bay and San Fran-
cisco will all be sign-
posted for the intrepid
motorists from north of the
border.

Another way of visiting
Baja is by plane and the
Baja bush pilots in the area
land on the hundreds of
airstrips which have been
cleared throughout the pen-
insula. At Escondido, Guerra,
Negro, San Ignacio, Cata-
vina, and San Quintin, full-
scale, surfaced runways suit-
able for passenger jets have
been built. Most of these
have been constructed in col-
laboration with the Govern-
ment to service the National
Hotelera's chain of 25-
room hotels, which serve
as an oasis of hospitality the
length of the Baja.

As Señor Echegaray
pointed out, building and
operating the hotels has
been an exhausting and frus-
trating task.

It has been like working
on the moon. Everything has
had to be flown in—down to
the last packet of Coffee-
mate. The American visitor
expects high standards and
we get nothing locally—not
even vegetables, chickens or
fresh eggs. Even our labour
force just seems to melt
away.

During the construction of
one hotel 300 workers were
brought across the Sea of
Cortez from the mainland of
Mexico: within a couple of
days only 80 remained. They
had just vanished into the
desert. It is a real frontier
land and these invading pre-
cursors of progress have not
been welcomed with open
arms by the few inhabitants.
Indeed, the residents have
been distant and sometimes
almost hostile in their non-
cooperation with the devel-
opers.

However, in the next five
months another 500 hotel
rooms should be available to
help to cope with the 600,000
visitors expected this year—
treble the 1973 figure. Señor
Carlos Riva Palacio, the still
smaller Mar de Cortez (only
\$8 a day), are just a taste of
what is coming.

Tourism is awakening in
the Baja. The possibilities,
according to businessmen
familiar with the area are
almost limitless. However,
has been the question of
land tenure.

Many years ago a lot of
businessmen bought hectare
after hectare of land at a
peso a square metre only to
find that they still do not
know quite who holds the
title. However, current legis-
lation and future regulations
should establish definite
title to the land. Another
serious problem not to be
overlooked in the develop-
ment of some of the remote
bays and quays is water.

A number of dried river
beds do exist and if you dig
down there is water not far
below the surface. But the
volume of water in a natural
area limited and capable of
supporting only small pro-
jects.

American businessmen
talk glibly of installing ex-
pensive desalination plants
and claim that even though
the cost of desalinating the
water may be eight times
that of water from a natural
supply it will still be possi-
ble to recoup profit on the
original investment. Water is
vital for any development in
the Baja and many of the
more grandiose plans will
fail if supplies are inadequ-
ate.

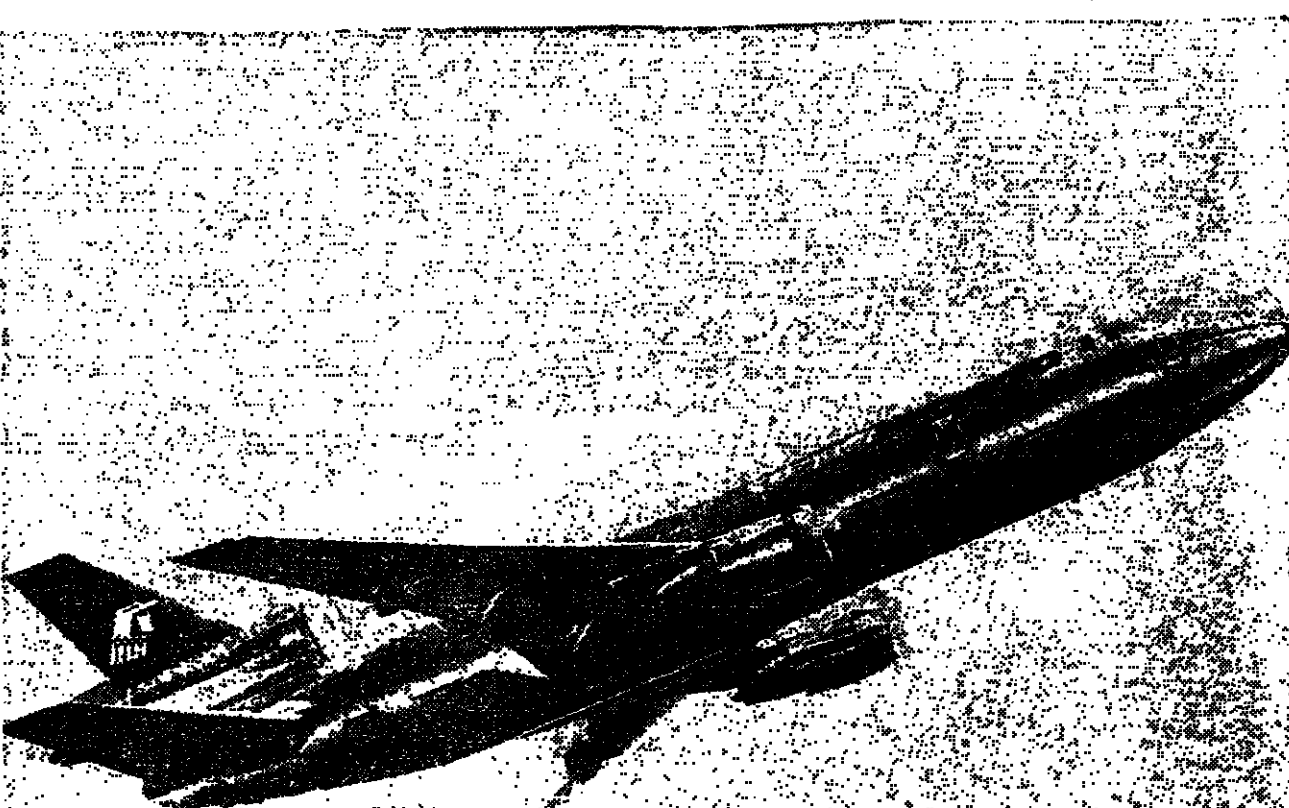
Apart from the construc-
tion of hotels, the support-
ing industry for tourism is wide
open. There is nothing in the
Baja. There is no marina, no
boat repair facility, not
even a fishing tackle shop.

As Mr Parr pointed out,
every item is flown in, most
of it from the United States.
There is a great advantage
in this as the peninsula is a
free-trade area and all im-
ported goods duty free.

As the construction of
this playground gets under
way it is to be hoped that
the Mexican authorities will
do something to protect the
environment and conserve
the teeming wild life—not
only the birds, but also the
species of rare cacti that
abound in the peninsula.

Already San Quintin just
south from Ensenada across
the border from California
is an eyesore. Apart from the
60-room El Presidente Hotel
being constructed right on
the beach, it is a shanty
town comparable to the favel-
as of Rio and São Paulo.
The wind-blown sand swirls
among the corrugated iron
sheds, abandoned, upturned
cars litter the area every 10
yards.

Unless the Mexican Gov-
ernment is prepared to insti-
tute stringent measures
there is a great danger that
the whole of the Baja may
become the greatest rubbish
tip in the world for lower
California.



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This other Eden is planned for pleasure

by Loyal Compton

Some 350 miles south west of macrocosmic Mexico City lies Mazatlan, an Eden-on-the-Pacific with virgin-white beaches, coconut palms rustling over cobbled streets and misty blue mountains for a backdrop.

Centuries ago the Chinese mao-trading junk—made this a regular port of call, along with Acapulco and Mazatlan. It is doubtful whether they would do it now because they would have to jostle with foreign-flag freighters, aristocratic yachts and sea-going cruisers. For a modern Croesus is determined to convert the Mazatlan marinescape into a Mexican Riviera.

He is expatriate Bolivian "tin tycoon", Señor Antonio Patiño. Señor Patiño reputedly has \$70m invested in this state of Colima, most of it in San-
tiago Bay and Peninsula, 10 miles north of the city. But a sizeable portion of that fortune has been sunk into the newly opened Las Hadas (Fairyland), newest rendezvous of the jet-set. Las Hadas is being advertised as "a dream not to be awakened from".

It is a blinding, starkly white complex of villas featuring a mixture of four architectural styles: Moorish; Mediterranean Oriental; and Mexican. Five. If you include the plaza inside dedicated to the Roman emperor Trajan.

Styled for luxury, the 240-room structure has five bars with the best garden. One of its three pools is 200 feet long. The elegant Legaspi Room seats 180 diners. The combination restaurant and cocktail lounge, El Tarra, has huge fountains spilling water over the original rocks.

Decor of the private rooms is modern Mediterranean. They have white marble floors and spacious closets. Each has a private balcony looking out across Santiago Bay to Mazatlan and the fairyland of lights at night on Vivia Hill, rising behind the port.

These balconies also look straight down Las Hadas beach, one of the prettiest in Mexico, with its palapa umbrellas and breakers so gentle they can be water-skied over. Flanking the beach is a rock breakwater protecting a new harbour

that can hold 100 ocean-going pleasure yachts.

To transport guests to boutiques, hairdressers, tennis courts and the golf course are employee-driven electric cars. El Palmar, the golf course on the hotel grounds, is landscaped with brooks, lagoons, banana and palm trees.

In the winter season (November to May) standard rooms go for \$52 (double) daily, without meals. Studio suite costs \$96, a junior suite \$160.

Dazzled by Señor Patiño's confidence in the region—he is planning another luxury hotel alongside the new jet airport at Playa del Oro and an exclusive hunting lodge near the snowline of the 14,370ft Volcan Nevado de Colima—United States investors are plunging into Mazatlan's "dance of the con-
dominium". Almost done is a new multi-story apartment building replaces 20 or 40 shacks around Mazatlan Bay.

South of Mazatlan (con-
vulsing in the throes of its own boom) are magnificent, soft-pitched, powdery beaches, but they are mostly backed by brackish mos-
quito-breeding lagoons. That is, until one reaches San Blas, in the state of Nayarit, where the Sierra Madre Occidental sends spurs seaward.

From San Blas southward, Nayarit's fertile tobacco plantations nudge the coast—somnolent and night-inaccessible until five years ago when an all-paved road was completed from the state capital of Tepic to Puerto Vallarta, just over the Rio Ameca boundary with the state of Jalisco.

Until the macadam was put down, Puerto Vallarta—crown jewel of the Bay of Flags (Bahía de Banderas)—could be reached only by burro, from the sea or by light planes from Jalisco's capital of Guadalajara, 125 miles to the east. Then came the filming of *The Night of the Iguana*, in Puerto Vallarta with the presence of Elizabeth Taylor and Richard Burton and the attend-
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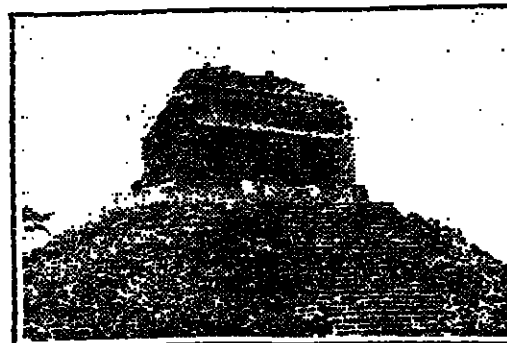
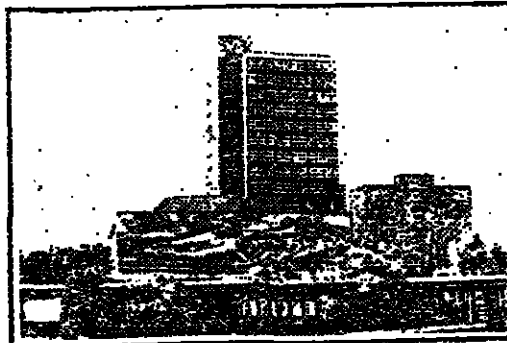
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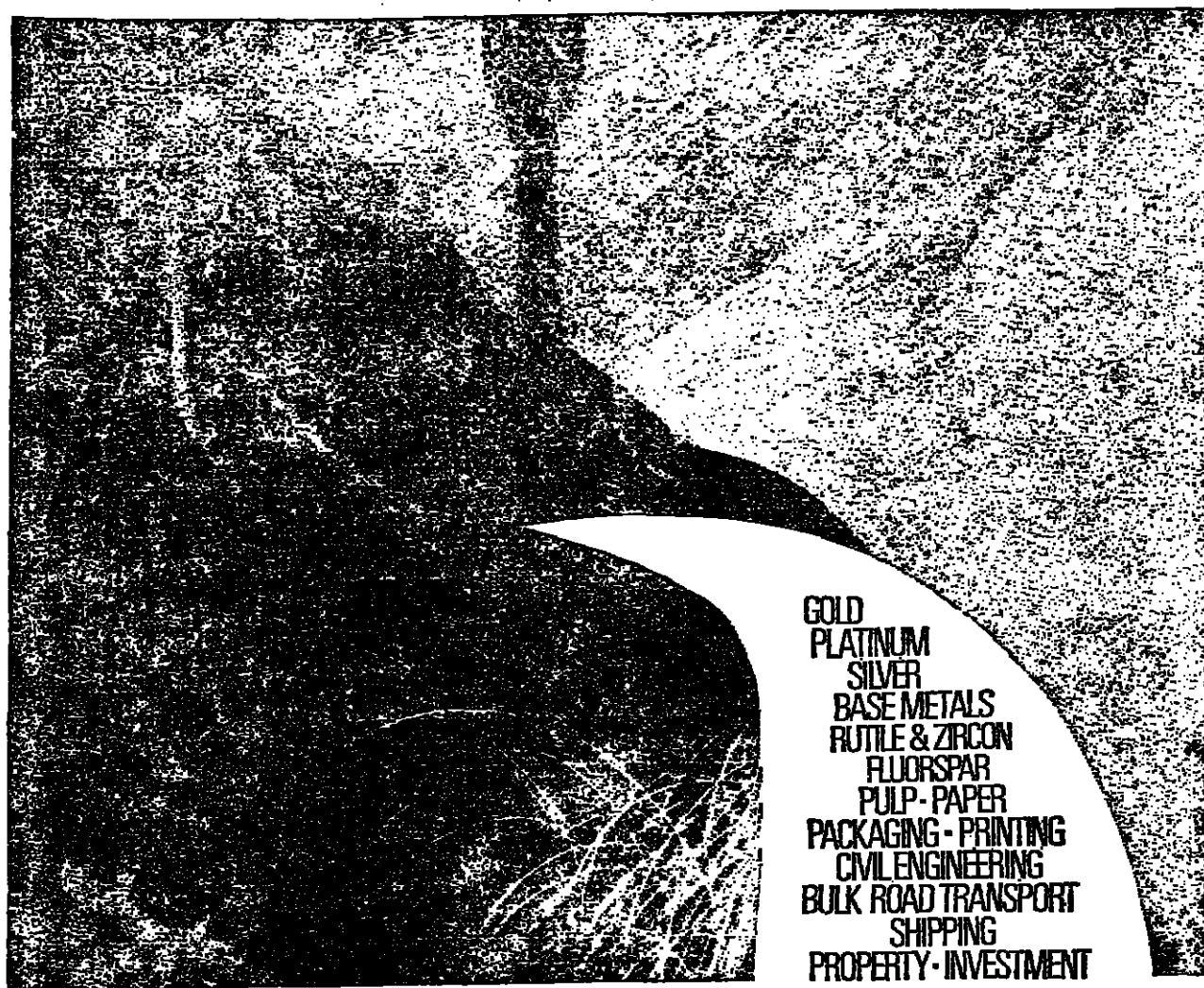
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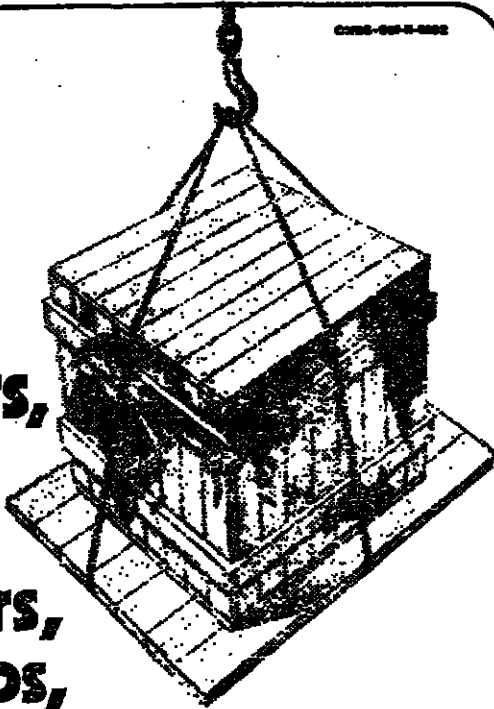
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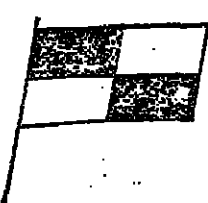
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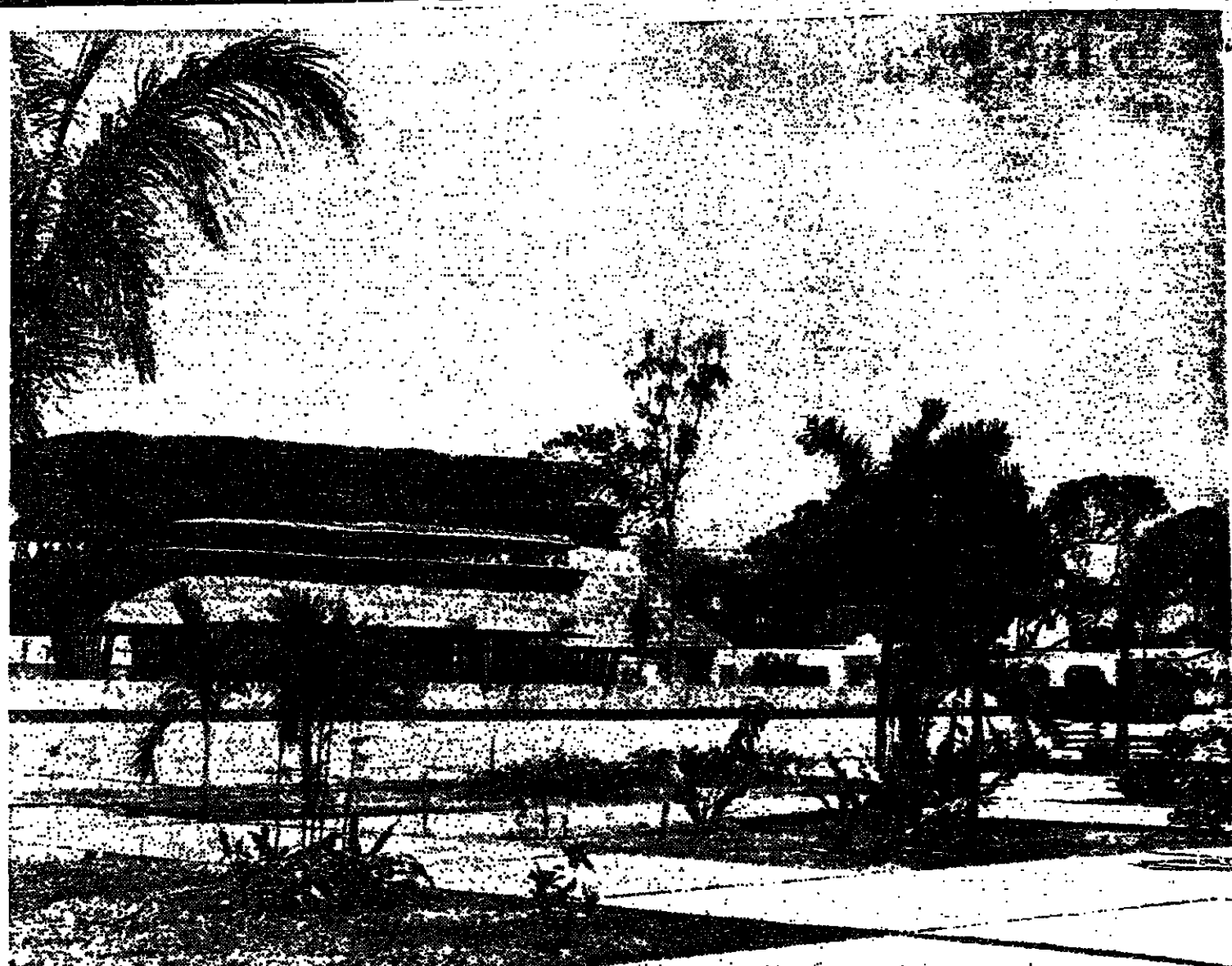
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New city centre at Cancun—planned as the tourism El Dorado of the future.

In search of the Caribbean's pot of gold

by Michael Frenchman

Shipping sideways in the steady Caribbean breeze a lone pelican paraded the seemingly endless white coral-sand beach of Cancun on the north-eastern shore of the Yucatan peninsula. As yet this was the only sign of life on the beach behind which yellow-painted steel jib cranes and the grey mass of new concrete reached skywards amid the green palm trees.

Soon all this will change. Cancun in the Mayan language means "pot of gold". And that is just what the Mexican tourist industry hopes it will be.

A year ago this jungle-fringed island standing just off the mainland, with its lagoons, mangroves and teeming wildlife was one of the schemes talked about by earnest young men in Mexico City. They proudly displayed maps, charts, statistics and "projections" of this would-be tourist El Dorado. All that there was to be seen on the ground were half a dozen small houses, a few sheds for the office of the former *Infrastru-* foundations of what was said to be an hotel, and a few bulldozers clearing a landing strip in the heart of the jungle amid the ruins of ancient Mayan cities.

Today Cancun has marshalled, or rather leapt, straight off the drawing board into reality. Eight hotels are under construction in this first truly planned tropical holiday city; the half a dozen houses have turned into a town with

supermarkets, a civic centre, parades of shops, dry cleaners, laundresses; the population has soared from a few hundred to something over 10,000; the bulkheads have left behind a full-size airport for jumbo jets, with terminal buildings and all facilities.

It is an amazing transformation that has been achieved against all odds. Already the first hotels are opening and by about this time next year there will be more than 1,300 hotel rooms available, as well as a number of apartment blocks and holiday villas.

This month will see the opening of the Hotel Bojorquez, a small family hotel with 32 rooms, and the Playa Blanca (72 rooms). A few kilometres away, in the town itself, are three small private hotels and a larger one, the Parador (34 rooms), which has been built by FONATUR, the government tourist funding agency, and is being offered for sale or leasing to an operator. Later this year the Caribe Maya (34 rooms) and the Cancun Caribe (208 rooms) should be finished.

Next spring some of the larger projects will be ready. These include the Casa Blanca (115 rooms) with a few villas, the Aristos (224 rooms), the Camino Real (250), the Presidente (196) and the Club Mediterraño (300). Blocks of flats by Playa Sol, Braniff Airways and the Banco de Comercio de Mexico are also about to go ahead. Marriott Hotels and Holiday Inns, through a

concessionaire, are also taking up interests.

Cancun is a planned affair and was conceived as a direct result of research by the Bank of Mexico some years ago. It has long been realized that tourism is Mexico's main source of revenue and it was decided to look for new areas to develop. All data about a number of possible projects were compared, and after all the electronic wizardry had been scrutinized it was decided to concentrate on Cancun.

Just a few minutes flying time from Cancun is the small island of Cozumel, which had already undergone a certain amount of tourist development. There the hotels are operating at more than 90 per cent capacity and it is one of the most popular holiday places for Mexicans themselves. Its rocky terrain interspersed with sandy coves makes it somewhat like Cornwall.

Because of its popularity it was thought that a mainland site might be the answer for an extensive tourist development, as it would be more practical and economic to provide a suitable infrastructure—large airport, roads, electricity, water and drainage. Cancun is an hour's flight from Miami and two hours nearer Europe than Mexico City and thus well placed for an increase in both American and European traffic. It is easy to become lyrical about the scenic and aesthetic attractions of Cancun, with its tropical forest-covered limestone plain, its lagoons and rocky inlets sur-

rounded by mangroves, the rolling Caribbean breakers on the miles of empty beaches with their swaying palms. But Cancun has much more than this to interest the visitor—archaeology and wildlife.

A few hours drive to the south, at Tulum, is one of the most fascinating Mayan temples. This is probably the only Mayan city built by the sea. Its windswept central pyramid stands only a few yards from the edge of a craggy cliff pounded by the waves below. So far there is no commercial development apart from a charched hut selling drinks, a tiny beach a few miles away, and a landing strip.

The whole area abounds with Mayan ruins, many of them unexplored, but some ravaged by treasure hunters who fly in from the United States, landing on old wartime airstrips. As development comes to Cancun ruins are even being unearthed there. Almost as quickly as they are found they disappear as the jungle encroaches again.

The Mexican authorities appear to be more sensitive about preserving their archaeological heritage than they are about the natural attractions of Cancun which make it such a unique place for the visitor. If you are bored with beach, sun and tramping round ruins, there is limitless scope for observation and photographing the wildlife. Jaguars, deer and small howler monkeys are not hard to find; flamingos, pelicans, frigate birds and a variety of waterfowl can be seen in the lagoons, which shelter a multitude of fish as well.

If you walk through the translucent green aisles of the forests there are in-

numerable flashes as tiny warblers and humming-birds flit furiously by an open You may also see banana-beaked toucans, much more rarely, booby quetzal, beautiful of all birds, practically out of existence in this place. Already the ports of fewer of common and big such as the flam pelicans. Because of commercial pressures to get priorities in perspective when it comes to this size place. Señora Tita wife of one of the TUR project directors desperately fight to create a small protected area within the Cancun area that a variety of birds can be preserved.

Already the Government has agreed to reserve coastal areas be tested, as they are grounds for some fish. But much more is required if this is not to become just Acapulco. There are splendid opportunities to designate the whole area a national park to protect all species. It could perhaps be the first major wildlife reserve in the Americas and Euro natural environment safeguarded as Cancun is concerned to be an unfortunate what is undoubtedly one of the most tourist developments where.

Secrets of pre-Hispanic era

by Sidney Wise

Scarcely a year goes by in Mexico without the discovery, by design or accident, of another fascinating link with the grandeur of the pre-Hispanic culture and the astonishing development of art, astronomy, mathematics, medicine, agriculture and urban planning. Recent archaeological findings are being restored to delight the tourist and intrigue the student with an abundance of pre-Hispanic pyramids, temples, planned cities, gods and idols.

As Señor Roman Piña Chan, the Mexican archaeologist, recently wrote: "Mexico produced a wealth of native cultures unsurpassed in any other area of the world and the bulk of its archaeological remains are yet to be uncovered".

In some parts of the greater Mexico City area, once the centre of the Aztec empire, it is often difficult to sink a spade without unearthing a pre-Hispanic artefact.

During the construction in 1968 of Mexico City's Metro, a small four-level pyramid was unearthed. It was quickly restored and remains the unusual centre of attraction of Pino Suárez, the busy central Underground station. The same year, during the building of housing facilities in Mexico City for athletes competing in the 1968 Olympics, an important pyramid was discovered.

Since 1965, investigators digging in the Cerro de Tlapacoya area at Chalco, some 20 miles from Mexico City, have made significant discoveries, including the finding of a human skull whose age has been established at 20,000 years.

Last year, the remains of a small Toltec town was uncovered during the building of a golf course on the outskirts of Mexico City. And in the southern state of Chiapas, during the construction of the Angostura dam, rescue work has been carried out since 1970 to save 179 archaeological sites from being inundated.

According to the most recent calculations, more than 10,000 archaeological sites are registered throughout the Republic of Mexico. Only 1,000 such sites have been explored to a greater or lesser degree. Of these, slightly fewer than 100 have been excavated and restored sufficiently to qualify for tourist visits.

One of the most recently restored major archaeological sites is at Teotihuacan, meaning "within the divine wall", located at Tenango del Valle, some 80 miles from Mexico City. Teotihuacan is a small sparsely designed city within an enclosing wall containing a ceremonial centre, various plazas, split-level living quarters and a grand sweep to its architectural design reminiscent of Teotihuacán, the latter is suspected, must have exercised strong influence over the Matlatzincas, the creators of Teotihuacan about AD700.

Yet for all the novelty of this newly opened archaeological site for tourists, it fails to compare with the majesty of Teotihuacán, the 50-square-mile "Dead City" whose awesome splendour still can cast a spell of foreboding over visitors prowling at night in the moonlight shaded sites of the Pyramid of the Sun at the end of the mile-long *esp-* made.

A son of *lumi* spectacle as Teotihuacán can help to bring a deeper understanding of this City of the Gods which was founded abandoned by the Aztecs about AD900. The reason for the city's abandonment remains a mystery.

In many ways more alluring, sophisticated, intricate and revealing of a superior culture are the Mayan archaeological sites. Most of these are to be found in the south-eastern state of Yucatán. Here tourists can visit the world-famed sites of Palenque, Bonampak, Chichen Itza, Uxmal, Jaina, Kabah and Tulum.

Each of these sites has a common denominator in

architectural beauty and aesthetic design. Most have religious ceremonies arranged around plazas or patios.

To deepen understanding and increase enjoyment in visiting archaeological sites in Mexico, "look for the man, for the one who created what you are looking at", advises Professor Mario Vázquez, sub-director of the Museum of Anthropology in Mexico City.

Taking this hint, one can see in the temples, statues and idols of the Maya some of the customs and habits of the men who created this extraordinary culture. In the statues, frescoes, paintings and other works of art at Palenque and Bonampak can be seen the practice of decoration of the skull to create a receding forehead which was achieved by pressing concave tablets at the front and back of a baby's head a few days after birth.

Painting and tattooing bodies, incrustation of teeth perforated earlobes for wearing earrings of jade can also be seen in the statues and other works of art.

On the stairways and in the statues of the Mayan ruins on which are depicted lunar and time computations, one can get a glimpse of the men who were, in many cases, the supreme mathematicians of their time with an exact solar calendar and a mathematical conception of zero long before these were known in Europe. A tourist can spend months visiting the principal archaeological sites.

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	CLARE VI				

SPORT

Racing

Lambourn is looking forward to a second triumph

By Michael Phillips
Racing Correspondent

Will the Oaks bring success to the Queen for the second time in a classic this season or will it result in another triumph for the Berkshire village of Lambourn, already basking in the glory of Snow Knight's victory in the Derby this week? These seem to be the two most pertinent questions which should be answered at Epsom today.

The Queen's hopes, and those of countless others, are pinned on Escorial, who will be ridden by Lester Piggott. The inhabitants of Lambourn will be rooting for either Polygam, the favourite, or Diddie, always assuming that Diddie runs. Polygam has been my idea of the winner of this particular classic since I watched her win the 1,000 Guineas trial stakes at Ascot on April 6. I wrote soon afterwards that no matter what she accomplished at Newmarket on 1,000 Guineas day, she looked to have an outstanding chance of winning the Oaks, and I have no reason to alter that view.

Her case was strengthened when she failed by only the width of a cigarette to force a close finish with Diddie in the 1,000 Guineas. Polygam might well be described as an equine version of a whippet, wiry in appearance but as tough as oak within. She may be over-looked in the paddock before the race, but it is not where the battle is won. It will be in the race that her great qualities should emerge, and I hope to see her blood her young rider, Pat Eddery, with his first victory in a classic.

I have no qualms about Polygam staying a mile and a half. Eddery has an old family score to settle with Piggott, for it was in this race 17 years ago that Piggott, wearing the royal silks and riding Carrozza,

just pipped none other than Pat's father, Jimmy Eddery, riding Silken Glider.

Today Piggott finds himself wearing the royal colours once again when riding on Escorial, a mercurial character with great ability. Over the years he has seen Piggott excel on similar silks. However, others seem unable to cope with certain situations, he seems to develop an understanding with difficult individuals and capable of giving them confidence. His style is a blend of firmness and tenderness.

Escorial is certainly a live spark. At Ascot she played up and got loose while being walked to the course from the stables and in so doing raised doubts about her ability to cope with Epsom and all its unfamiliar trappings. But Piggott calmed her down the moment that she was on her in the parade ring and together they won the 1,000 Guineas. It was an impressive performance but her opposition was not strong and it is difficult to doubt whether Piggott will be able to ride her in the same confident manner in the Oaks. Bidding Escorial's trainer, has always said that the horse is a class above his other runner in the race, Elegant Turn, and that he will be able to handle her in the race. Piggott's response will be if she has to be let down and asked to race in earnest to catch or resist a rival of Polygam's mettle.

Hopefully, today will hold all the answers and that is why this race is so exciting. Diddie has held third place in the betting since she won the Cheshire Oaks. Barry Hills, but she was always a head and a half opinion of her, but has said that he will not risk jeopardising the rest of her three-year-old career by running her in the race. Her appearance, then, depends on how the weather behaves in the

few hours that remain. Diddie is by Aggressor, who was at his best when there was some cut in the ground.

Diddie let her side down when she was beaten in her first race this season at Haydock Park, but the ground was firm there and she was perfect at Chesham where she left her side down and was a strong favourite. The two principal candidates are Marcel Eustace's Dankaro, who has won the three races this season, and Nelson Bunker Hunt's Mississippian, who has been beaten half a length in both of his outings. Although Dankaro has not won by more than three-quarters of a length in any of his four races, he has always had something to spare. He has won the 1,000 Guineas this year and if successful tomorrow would add at least another £1,000, including the breeder's prize and the special bonus paid to the owners of French-bred horses. He would also be his owner's twelfth winner of the race which he first won with Eustace in 1972.

Dankaro's last victory was the Prix Lupin at Longchamp on May 19 where he was hand ridden to beat Mississippian. Lester Piggott's mount, finished two lengths and a half away third with Riot in Paris half a length behind. Fourth, and the Prix Noailles winner, D'Arras, seventh, beaten another four lengths. Dankaro had earlier been beaten half a length by Monlines on heavy ground in the one-mile Poule d'Essai des Poulains with Mount Hagen and Little Boy. He had been intended to give Mississippian a race before this, but he suffered a minor accident on the gallop and his return was delayed. His objective has always been the Prix du Jockey-Club, in the Lapin which he has won twice. He has been home but was quickly passed by Dankaro who had no trouble maintaining his half-length advantage. Mississippian was still a little backward and will undoubtedly be helped by tomorrow's extra distance. For these reasons he is given a slight preference over Dankaro.

Four English jockeys have mounts, the best of them being the improving Sir Ivor, who has been ridden by Joe Mercer. Twice the winner over this distance, he led from the start when beating Dankaro and the other two French-bred horses by a neck and a short head in the Prix Hocquet on May 12. Both challengers passed him inside the final furlong but he fought

Distance favours Mississippian

From Pierre Guillot
French Racing Correspondent
Paris, June 7

The Prix du Jockey-Club tomorrow at Chantilly, the French equivalent of the Derby, is a strongly contested event. Two horses seem to dominate the field but unlike the English race on Wednesday there are plenty of horses whose presence is justified by recent form and some whose chances cannot be dismissed. The two principal candidates are Marcel Eustace's Dankaro, who has won the three races this season, and Nelson Bunker Hunt's Mississippian, who has been beaten half a length in both of his outings. Although Dankaro has not won by more than three-quarters of a length in any of his four races, he has always had something to spare. He has won the 1,000 Guineas this year and if successful tomorrow would add at least another £1,000, including the breeder's prize and the special bonus paid to the owners of French-bred horses. He would also be his owner's twelfth winner of the race which he first won with Eustace in 1972.

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back to lead again close home. Guerdan, who finished a close fourth, had also run just behind the champion in both their previous races. Among the outsiders my preferences are for D'Arras and Steiner, separated by half a length in the Prix Noailles. D'Arras will be ridden by Geoffrey Lewis and another English jockey who should have a good ride is William Carwin, who will be on Little Boy Blue. Riot in Paris should again run well, but though he finished only seventh in the Prix du Jockey-Club he is a strong contender.

Peter Watney challenges in both the pattern races for the Prix Jean Prat with Understudy and for the Prix du Lot with Hard April. Neither horse looks good enough to challenge the Prix Lupin but faded to be sixth. He earlier won the Prix Daphnis also over nine furlongs at Evry. The handicap races are also interesting. Contraband, who finished third in the Poule d'Essai des Poulains before bearing Antipode in the Prix de la Marche, should be a contender.

Blue Diamond, once an intended runner for the Derby, tries instead for the Prix du Lot over the same course as the Prix du Jockey-Club. He recovered from coughing and a temperature of 104 to score an

eight-length victory in a maiden race at Longchamp on May 6 and should have no trouble with Exceptionnel and Astmore.

Giacometti may start in the Irish Derby

The Irish Derby is the probable target for Giacometti, who failed to handle the Epsom Hill when finishing third in Wednesday's Epsom Derby. Ryan Price, the trainer, said at Epsom yesterday: "After his failure I said I wanted ten days to think over future plans for the colt. But he has come out of his race in really splendid style and I could not be more pleased with him—he hasn't left an out. So if everything goes all right he could well be in the Irish Derby on June 29."

Tony Murray, the jockey, said: "I am delighted to hear the news. His big spurt last week was a real triumph. The Curragh will be ideal for him."

Ladbrokes quote Giacometti at 4-1 for the Irish classic.

Tomorrow's main races at Chantilly

PRIX JEAN PRAT (Group II) 3-y-o: 518,182: 1m 1f

01-11-12 TWIG (M. Carwin, 5) 5/1
02-11-13 D'ARRAS (G. Lewis, 5) 5/1
03-11-14 BLUE DIAMOND (S. Ivor, 5) 5/1
04-11-15 CONTRABAND (P. Watney, 5) 5/1
05-11-16 STEINER (G. Lewis, 5) 5/1
06-11-17 RIOT IN PARIS (S. Ivor, 5) 5/1
07-11-18 UNDERSTUDY (P. Watney, 5) 5/1
08-11-19 HARD APRIL (P. Watney, 5) 5/1
09-11-20 MONLINES (S. Ivor, 5) 5/1
10-11-21 DANKARO (M. Carwin, 5) 5/1
11-11-22 MISSISSIPPIAN (N. B. Hunt, 5) 5/1
12-11-23 ESCORIAL (L. Piggott, 5) 5/1
13-11-24 POLYGAM (L. Piggott, 5) 5/1
14-11-25 DIDDI (L. Piggott, 5) 5/1
15-11-26 ELEGANT TURN (L. Piggott, 5) 5/1
16-11-27 BLUE DIAMOND (S. Ivor, 5) 5/1
17-11-28 CONTRABAND (P. Watney, 5) 5/1
18-11-29 STEINER (G. Lewis, 5) 5/1
19-11-30 RIOT IN PARIS (S. Ivor, 5) 5/1
20-11-31 DANKARO (M. Carwin, 5) 5/1
21-11-32 MISSISSIPPIAN (N. B. Hunt, 5) 5/1
22-11-33 ESCORIAL (L. Piggott, 5) 5/1
23-11-34 POLYGAM (L. Piggott, 5) 5/1
24-11-35 DIDDI (L. Piggott, 5) 5/1
25-11-36 ELEGANT TURN (L. Piggott, 5) 5/1
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318-11-329 STEINER (G. Lewis, 5)

THE TIMES

BUSINESS NEWS

MELLERSH & HARDING
Chartered Surveyors
43 ST. JAMES'S PLACE
LONDON, S.W.1
01-493 6141

and Burmah pare combined elopment for nian oilfield

Corina
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ns are nearing com-
plete British Petrol
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Lumsden, chairman
said yesterday: "I
shall be able
next few days to
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to more than £10m
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1 this level.

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consumer spend-
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needed

es up 1pc
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in Milan yesterday.

glass output
with a serious short-
age of supplies, are
to cut production
it is normal by the
week as a result of an
in the ICI plant
Cheshire, the sole
source of soda ash.

Doubts over prospect of caprolactam from Japan

By Peter Hill
The possibility of Japanese
plants being able to plug the
gap in supplies of caprolactam
for the manufacture of Nylon 6
fibres in Britain after the
destruction of the United King-
dom's sole caprolactam plant
last weekend were received
sceptically in London, yester-
day.

Reports from Tokyo, quoting
officials of the Japan Chemical
Fibre Association, indicated
that Japan had idle capacity
running at some 72,000 tons
annually. This is 3,000 tons less
than the nominal capacity of
the Flixborough plant of Nypro
(UK) which was destroyed.

The bulk of the output of the
plant was taken up by Cour-
taulds and British Enkalon,
which together account for
about 30 per cent of British
nylon production.

Although it was not clear
whether the Japanese were re-
ferring to caprolactam or nylon
fibres, the reports from Tokyo
said officials of the associa-
tion had received inquiries from
several European textile firms
about the possibility of receiv-
ing shipments of nylon from
Japan urgently. They included
Courtaulds and British Enka-
lon.

A spokesman for Courtaulds
said: "We never comment on
this kind of story or rumour.
There is no change in our
situation. We are continuing to
assess the position and produc-
tion is continuing at our nylon
plants."

British Enkalon said it was
not sure what the Japanese
were offering. The company
was talking to possible sup-
pliers of both caprolactam and
nylon, both within the AKZO
group, which it is asso-
ciated with, and outside.

Chemical industry sources in
London doubted whether Japan
would be in a position to offer
long-term supplies of caprolac-
tam on the scale which the
reports indicated. Until re-
cently Japan has been more or
less in a balanced position
demand situation for caprolac-
tam, with the balance tipping
slightly towards shortage.

There was also a general short-
age in south-east Asia.
Although there has been a
rebound in demand for textile
fibres with supplies of capro-
lactam available from some
Japanese sources, the longer
term picture is more confused,
particularly since the fibres
market is expected to improve.

cessed increasingly as fertilizers
and proteins to combat hunger.
At a subsequent press con-
ference Mr Khene said the
OPEC ministerial meeting in
Quito on June 15 would discuss
a recommendation to increase
the market price paid to oil pro-
ducers by oil companies from
\$7 a barrel to \$10. A meeting
would also discuss measures to
raise oil company taxes and
would open for signature the
statutes of an OPEC develop-
ment fund.

Mr Khene said OPEC coun-
tries would be willing to con-
tribute, together with indus-
trialized countries, up to 1 per
cent of their gross national pro-
duct to a world development
fund in favour of the least de-
veloped countries.

M Henri Simonet, the EEC
energy commissioner, accused
Mr Khene of cloaking oil pro-
ducers' economic self-interest in
the language of morality and
humanity. He called on indus-
trialized countries to refuse
a dialogue with oil producers
until they had broken the
latters' cartel-type power to fix
prices by controlling demand
and thus producing a glut.

Only then, Mr Simonet said,
would industrialized countries
negotiate from strength. He
said third world countries could
not develop without the coopera-
tion of the industrialized world.
Foreign exchange boost: The
oil-producing countries have in-
creased their foreign exchange
reserves this year by about 43
per cent, according to Inter-
national Monetary Fund statis-
tics published in Washington.

Sohio denies
allegations over
BP supplies
From Our Own Correspondent
New York, June 7
Standard Oil of Ohio (Sohio)
has denied an accusation by
Senator Howard Metzenbaum
that it had been paying higher
prices to BP for its imports of
Iranian light crude than it had
to other suppliers.

Senator Metzenbaum's charge
was "arbitrary and absurd",
according to Mr Alton White-
house, the president of Sohio.
Mr Whitehouse said that
Senator Metzenbaum's accusa-
tion was based on a failure to
read a footnote in figures
released by Sohio.

This showed, he said, that the
lower figures for imports of
crude from sources other than
BP were for oil that had been
contracted for in 1973 but had
not been delivered until 1974
because of the Middle East war.
That was why they were lower.

On other pages
Bank Base Rates Table 20
Company Notices
Anglo American Corpora-
tion of South Africa 20

Stern insurance company is sold for £1½m

By Our Financial Staff

In a move designed to safe-
guard the future of Nation Life
Insurance, the property bond
offshoot of the troubled Stern
group, international insurance
brokers and shipping agents
Alexander Howden are to
acquire the company for £1½m
in cash. The consideration will
be payable on January 1, 1975.

A brief statement from How-
den last night said that the
group intended to "utilise its
full resources in the develop-
ment of this company".
Nation Life announced on
Thursday that a group of lead-
ing insurance companies was
discussing the possibility of
acquiring control of the com-
pany. This followed a decision
to put Wiltshire Securities, the
holding company of Mr William
Stern's family interests, into
voluntary liquidation.

A member of the Howden
board, Mr G. O'Connell, said
last night that the first approach
to his group regarding a possible
purchase of Nation Life came
yesterday morning and was
from "a friendly face" in the
insurance world.

He said that Howden had yet
to complete its full examination
of Nation Life's books. The
Department of Trade was fully
involved in the talks, which con-
tinued throughout the day and
in which Howden was repre-
sented by the group's chairman,
Mr A. Croft, and his deputy,
Mr R. Comery.

Industry sources said yester-
day that there was a strong
desire for cooperation among
leading life companies to pre-
vent a collapse within the
industry. Last night's move is
clearly designed to pre-empt a
rush of withdrawals from Nation
Life, whose life fund is believed
to have expanded rapidly in the
last year to around £50m.

The source of the offer for
Nation Life is unexpected. How-
ever, Howden is already in-
volved in the property bond
business through its Bermuda-
based associate company, Man-
or Insurance. Manor acquired
City of Westminster Assurance
from First National Finance
Corporation two and a half
years ago.

Howden group deficiency: An
estimated deficiency of £1.34m
was disclosed yesterday at a
meeting of creditors and share-
holders of Piccadilly Estates,
the hotel group which pre-
sented its own petition for a
winding-up order in April.

The Official Receiver, Mr
Norman Sandler, said that
shareholders' money had almost
certainly been lost. He defi-
ciency to creditors was esti-
mated at £0.59m.

A draft statement of affairs
indicated that the National
Westminster Bank and the
Royal Bank of Canada were
secured creditors for £0.87m.
However, the securities were
not expected to cover their
debts and a further £0.59m was
shown as unsecured.

On the same day that the
company's Stock Exchange quo-
tation was suspended the
National Westminster Bank was
given a mortgage debenture
and charge to cover monies
advanced. The validity of the
debenture and charge would be
a matter to be considered by
the liquidator, the Official Re-
ceiver added.

Piccadilly Estates, which was
backed by the industrial and
Commercial Finance Corpora-
tion and run by Mr John
Adams, a United States home-
lier, first ran into trouble when
it took part in the development
of the Mountbatten Hotel in Great
Cumberland Place, London.

The company had expected
its commitment to be £0.15m
while the developer then up
£1.1m. The company then had
to find an extra £0.5m, which
created severe liquidity prob-
lems.

After the suspension of the
quotation last November, the
company's hotel interests were
transferred to a new company,
Mr Sandler said he understood
the new company had since
sold its interests for £1.25m.

He added that Piccadilly
Estates' expenditure on its
premises was a matter for fur-
ther inquiry and that legal
matters had yet to be decided
which could affect the figures
in the draft statement of affairs
for better or worse.

A resolution was passed for
the appointment of Mr Roger
Cork, a City accountant, as
liquidator.

Department of Trade may be scrutinizing Grendon situation

By Margaret Drummond

The Department of Trade is
believed to be making inquiries
into the affairs of a number of
companies associated with Mr
Christopher Selmes, the finan-
cial adviser to the Government.

A spokesman for the depart-
ment said yesterday that it
refrained from comment on such
matters unless an official investi-
gation had been announced. He
stressed that inquiries of the
type made regularly by the
department were not necessarily
a preliminary to a full-scale
investigation.

There has been considerable
criticism of the role played by
Dowgate & General, the publicly-
quoted investment trust, of
which Mr Selmes is a director,
in the takeover of the Grendon
Trust last year by CST invest-
ments, a private group con-
trolled by Mr Selmes.

A recent interim report to
holders of Grendon's 11 per cent
loan stock, which is still quoted,
revealed that the group had
experienced severe financial
troubles, after which Keyser
Ullmann, the merchant bankers,
which is believed to have
advanced a substantial sum to
CST secured against its Grendon

holding, had been obliged to
assume management control.
An interim report sent to
Dowgate & General shareholders
last February revealed that
the group had advanced
loans totalling £5.2m to CST. Its
only asset is Grendon Trust, the
present value of which is
believed to be considerably less
than the original £22m purchase
price, after the collapse of the
property market. It is unclear at
this stage what the basis of
security was for the advances.

There is also considerable
institutional unease over the
position of the Grendon loan
stockholders. Earlier this week,
Mr Ian Stutzker, a Keyser
Ullmann director, gave
assurances that the stock was
still adequately covered.

But holders are concerned by
proposals contained in the recent
interim report to extend
Grendon's financial year by six
months to next September, to
bring its accounting dates in
line with CST.

It is claimed that this prevents
holders assessing the true
position of the group. CST has
filed no financial details at
Companies House since its
incorporation.

Roche drug cost hearings
to start in November
By Malcolm Brown
The start of Hoffmann-La
Roche's main case against the
Government over the tranquilli-
zers Librium and Valium has
been set for November.

Five days have been set
aside, from November 25, for
the hearing of a striking suit
brought by defendants to the
action, the Crown and Sir
Ashton Kiskill, chairman of the
Municipal Council.

The hearing will be before
Mr Justice Whitford in the
High Court. Hoffmann-La
Roche, the Swiss-based multi-
national drug company, is chal-
lenging the validity of the Gov-
ernment's order which last year
cut the 1970 prices of Librium

and Valium by 60 per cent and
75 per cent.
It was reported from Switzer-
land last night that Roche Pro-
ducts, the British subsidiary of
Hoffmann-La Roche, is to give
up its London offices and trans-
fer commercial and administra-
tive services to the production
headquarters in Welwyn
Garden City, Hertfordshire. Net
turnover of the British com-
pany had been sharply reduced
by the price cuts.

The group's annual review,
published in Basle, said the
legal battle against the British
Government was likely to drag
on through the courts at all
levels of the British judiciary.

West Indies prime ministers discuss
scheme for joint aluminium smelter
The Prime Ministers of
Jamaica and Guyana are hold-
ing talks with Dr Eric Williams,
Trinidad and Tobago's Prime
Minister, on proposals to set up
a joint aluminium smelter, a
Jamaican government spokes-
man said last night.

The proposed plant, to be
situated at a government industrial
estate in Trinidad, is expected
to produce some 120,000 tons of
aluminium yearly, but this pro-
jected output would probably be
increased with Jamaica's entry
to the partnership originally
launched by Guyana and
Trinidad.

The collective proposals call
for provision of natural gas by
Trinidad and Tobago, and
bauxite from Jamaica and

Forecast of widespread fall in US prime rates

New York, June 7.—A general-
ized drop in interest rates in the
United States appears likely in
the immediate future. Prime
rates as low as 7 per cent are
being forecast.

The First National City Bank
yesterday cut its prime rate from
11½ to 11 per cent, following
similar moves by smaller banks
last Thursday.

The Citibank action is likely
to trigger a generalized down-
ward movement.
Weekly statistics by the Fed-
eral Reserve Board meanwhile
show a drop in loans by com-
mercial banks to industrial and trad-
ing companies.

Early this week there were
clear signs that interest rates
had reached a ceiling, after the
First National Bank of Chicago's
cut in its prime rate. This was
the first such cut since early
March.

Leaders of the country's top
banks, Bank of America and
First National City, have pre-
dicted a decline in interest rates
in the immediate future. They
believe the prime rate could go
down as far as 7 per cent or 8
per cent.

At the close of 1973 the prime
rate was about 10 per cent, fall-
ing to 8½ per cent early in
March. It then picked up to reach
11½ and even 12 per cent in the
case of some banks.

A fall in interest rates is seen
by some economists as a means
of reducing inflationary pressure
in the United States.—Agence
France-Press.

Wall St boost: The prime rate
cut by First City National Bank
stimulated activity on the New
York stock exchange. The
volume of transactions—
19,020,000—was the heaviest
since March 14. The Dow Jones
industrial average rose 8.37
points to 853.72, the highest
since May 1.

Currency 'float'
is defended
by Mr Healey
Floating exchange rates are
here to stay, at least for the
time being, according to Mr
Denis Healey, the Chancellor of
the Exchequer, speaking on
BBC radio last night. "It is not
possible", he said, "in the
immediate future to return to a
world situation of fixed parities."

"People are getting used to
floating, and floating is prob-
ably an easier way of dealing
with the strains created by the
second great problem—the in-
crease in the price of oil."

Mr Healey also confirmed
reports that next week's Wash-
ington meeting of the IMF's
Committee of Twenty would
establish rules for floating, fix
the valuation of special draw-
ing rights and reconstitute the
Committee of Twenty itself into
two bodies, one for monitoring
world payments problems and
one to look after the special
problems of developing coun-
tries.

The Chancellor did not
expect that the valuation of
monetary gold would be "a
central matter" at next week's
talks.

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How the markets moved

The Times Index: 113.71 +0.23
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Rises	Falls
Asiatic Anglo-Siam Bechtel Business Com Courtauld De La Rue Glenfiddie	Barclays St Sapientia W Glenfiddie De La Rue Fisons Hawker Sidde Morse Turner

Bank	Bank
Australia \$	1.675
Austria Sch	44.25
Belgium Fr	96.25
Canada \$	93.25
Denmark Kr	14.55
Finland Mk	9.00
France Fr	11.90
Germany DM	6.10
Greece	71.00
Italy L	176.00
Japan Yn	695.00
Netherlands Gld	6.40
Norway Kr	13.25
Portugal Esc	60.25
Spain Pes	129.50
Sweden Kr	13.50
Switzerland Fr	7.25
US \$	24.25
Yugoslavia Dnr	36.25

Bank	Bank
Anglo American	20
Anglo American Investment	20

Bank	Bank
Anglo American	20
Anglo American Investment	20

PERSONAL INVESTMENT AND FINANCE

Grouse

Standing orders are a very useful banking device, saving a lot of time and trouble when it comes to paying the bills. The Automobile Association also has cause to like standing orders, although perhaps for different reasons. A colleague's AA membership expires on June 30, and recently she received a standing order form from them reminding her that her £5.50 subscription was shortly due. This year, she decided to add an extra £2.20 to make her eligible for the Relay Service.

For her £2.20 the AA guarantees to get her, her car and her passengers to their destination should the car develop mechanical trouble that the petrolman is unable to handle on the spot. So, off went the standing order, back to the AA, and the colleague relaxed, secure in the belief that she was in good standing with the AA, and would soon be covered by the extra service.

Then, one day this week, she happened to call the AA, with a query about the Relay Service stickers she had seen on other cars. She spoke to a woman, who told her that although the Relay Service had started last October, she would not be eligible for it until July 1.

Having sent off her standing order some time

before, the colleague checked with her bank, who said that the AA had forwarded it to them on June 1 with the instruction that the first payment was to be made 10 days later, that is, on Monday. This is three weeks before her subscription expires and before she can call on the Relay Service.

Back at the AA, nobody disputed these facts, although the colleague became a little cross and pointed out that it had had three weeks' free use of her money. Ah, said the woman at the other end of the line, but there's such a pearly sun involved that it didn't really matter, did it? Well, it didn't really matter to this driver. What she does find objectionable, however, is that the AA has about five million members, and if, as the AA says, "more and more" of them are signing up for Relay, then that adds up to a lot of cash for the AA to play with for the odd week or two.

Lastly, while this AA member can get to the end of the month without really missing her £7.70, there must be plenty of people on far tighter budgets. They have to economize madly to run their cars, without being docked a few pounds a few weeks before it's really needed. They would far rather hang on to the cash for those three weeks, if it's all the same to the AA.

Round-up

Bank's view of a TSB third-force role

What has happened to the Page Report, and in particular its recommendations in respect of the Trustee Savings Banks becoming a third and independent force in banking?

Mr Gordon Richardson, the Governor of the Bank of England, threw some light on the official attitude to the TSB's aspirations of independence at the TSB Association's annual conference at Eastbourne this week.

Mr Richardson made the obvious point that the change of Government was obviously contributing to the delay as the new administration familiarized itself with the questions and issues involved.

He went on to say that the most important question relates to the level of reserves. A TSB would need to have a level of reserves to be achieved. Unlike the Page Report's recommendation, Mr

Richardson believes that the new-style TSB would need reserves of more than 24-3 per cent.

If the TSB were to build up its own reserves, an adequate period of transition would be required. Alternatively, if the Government were to help find the funds it would substantially increase public borrowing, which at the best of times would have to be judged carefully, and particularly so just now, when the Chancellor has been making strenuous efforts to reduce the Government's borrowing requirements.

In addition, there is the problem that, with full banking status, the TSB might wish to reduce the amount of their assets invested in public debt. This aspect Mr Richardson views with a certain caution—not surprisingly. "Its acceptability must clearly be dependent on the scale and speed with which the liberated Trustee Savings

Banks could exercise their new-found freedom."

Still with the TSBs, Mr Philip Keens, chairman of the TSB unit group, announced at Eastbourne that the group was to launch its second unit trust in the autumn. It will be a growth fund run from Scotland. Given the strength of the TSBs in Scotland and the North of England, and the fact that most existing TSB unitholders are banking customers, the decision to go to Scotland makes more sense than it has done for other groups which have gone north of the border.

Target Life is offering a three-year guaranteed bond yielding 10 per cent a year or the option of compounding the bonus into a maturity bonus. The bond can be encashed at any time with a 90 per cent minimum guaranteed surrender value.

Deposit bonds

A makeshift arrangement

Investment has its own fashions but, since the effective demise of the guaranteed income bond in the Budget, the savings industry has been floundering in search of a new style. The nearest approach so far has been the deposit or money fund with a conversion option to switch a group's other bond funds at a later stage.

Although some groups have launched these deposit fund schemes in a fanfare of publicity, others have taken them up half-heartedly while several groups are prepared to condemn them outright. Such divergence of opinion is not new: property bond funds were originally held in asstance by a number of groups which later were happy to add them to their repertoire.

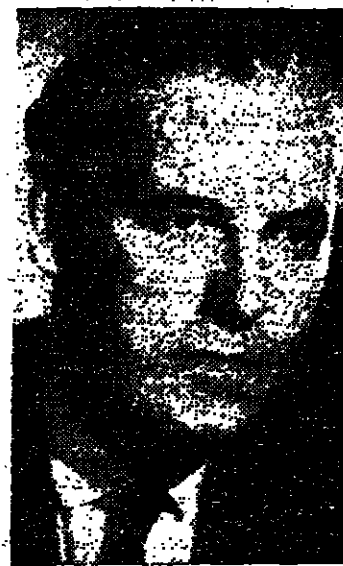
However, the discussions this time are not based upon investment merits or the difficulty of running, say, a property fund, but on more fundamental issues. Should investment managers take a 5 per cent initial fee for handling cash? And, secondly, do the managers' interests in introducing these schemes have any immediate relevance to the interests of investors?

As the name suggests, money or deposit funds are invested in bank deposits, mainly short term, but sometimes over a slightly longer period. Some of the funds also have a proportion of their funds invested in gilt-edged securities. In respect of bank deposits, there is little doubt that the volume of money available to the public is enormous, and it is to secure a higher interest rate than most individual investors would be able to obtain acting independently. (Don't forget that the banks are still restricted to paying no more than 9 per cent on deposits of £10,000 and under.)

In the gilt-edged market too, the investment muscle of the bond funds will ensure the best commission terms against the



David Maitland, managing director of Save and Prosper: "they are a facility rather than a product"



Fergus Hughes-Onslow, managing director of M&G Assurance: "a gilt-edged unit trust would be better"

rate charged to the small, individual investor. However, gilt-edged securities bought over the counter in the post office attract hardly any commission at all.

But, despite the advantages of bulk investment, are managers right to charge an initial fee as high as 5 per cent in addition to the 1 per cent annual management charges? The difficulty is that managers tie in their deposit funds to their other funds, where a 5 per cent initial fee is not only taken for granted but is also generally considered to be acceptable.

When a deposit fund is converted into a holding into one or other of the group's other funds, it is done at the bid price basis. In other words, the initial fee on the second investment is waived—although a 1

per cent switching fee is usually levied.

Without this facility of a virtually free transfer into another fund, managers would not be able to make their deposit schemes sound so attractive. And allowing a transfer at the bid price means charging the investor a 5 per cent initial fee on the deposit fund—irrespective of the fact that it is considered by many to be too high for merely managing cash.

It is a moot point, too, as to whether deposit funds have been introduced basically for the benefit of investors or for brokers and managers. There is some evidence that insurance brokers, suddenly deprived of a major selling-product, have been churning bonds to keep up commission.

In other words, they advise clients to get out of an existing bond and buy another. So brokers are currently receiving half of the 1 per cent switching fee, and the prospect of further conversions is, in itself, a further inducement to sell deposit funds, despite the fact that groups such as Save and Prosper say they are not actively encouraging their agents to sell such schemes.

A stronger case can be made for deposit funds as a second investment. Rather than have the initial sale in a deposit fund, offer it as a service to existing bondholders who might be dissatisfied with their existing bond.

For example, property bondholders worried about their investment might wish to transfer at a low cost into a deposit fund with the further option of returning to an equity fund for a similarly low fee.

However, for their own protection, some groups have not even been able to offer the service. Abbey Life's Conversion fund, for example, offers a one-way ticket only from the money fund to any of the others in the group. The managers are not prepared to reverse the transaction for investors from their property or other funds back into the money fund.

There is room for a money-type investment service in the industry and it is perhaps no fault of the management groups that they have become involved in the present less than satisfactory arrangements. What is needed is a gilt-edged unit trust. But, because it creates a problem of double taxation for investors at the moment, it is unfortunately not a runner unless and until the Government makes some tax law changes.

Margaret Stone

Insurance

Prospects for terminal bonuses

A curious aspect of the life assurance industry is that, while the value of most people's investment in equities has fallen and most life companies now have substantial holdings of equities, some offices have been able to increase their rates of reversionary bonus. And, once declared, this type of bonus cannot subsequently be withdrawn.

There are a number of reasons for this. Where a life fund is increasing, temporary fluctuations in the values of underlying securities will be of no great significance—provided, of course, the investments are soundly chosen in relation to the liabilities.

This is because there should be no need to engage in active disinvestment to meet claims. Premiums received in cash can be paid out as claims, without disturbing investments. And, probably some gilt-edged holdings will be redeemed at par.

For a life office, it is the annual return on the assets as a whole which is really important. In practice, the rise in interest rates which accompanied the sharp drop in the value of so many investments, for many offices, has increased both the amount earned on funds last year and also the potential earnings for the future.

For many offices, the contribution to surplus which has arisen in this way has more than offset the reduction in the amount by which capital has been written down. And it has been possible to increase bonus rates.

While a bonus once declared cannot subsequently be withdrawn, there is no guarantee that the same rate will be maintained in the future. It has become something of a tradition for life offices not to reduce their rates of reversionary bonus (and thus it is generally reasonable to estimate future maturity values on the

basis that the current rate of bonus will be maintained).

Because of this tradition, and the serious effect which a reduction in bonus rate could have on future sales, most life offices endeavour not to declare a higher rate of bonus unless they are reasonably sure that it can be maintained.

Nevertheless, there have been warnings in some quarters this year that the continuance of rates of bonus in future years must depend either on some recovery in the capital markets or even higher interest rates to compensate for any further depreciation.

For many life offices, terminal bonuses are something of a novelty, having been introduced only in recent years. But they are not universal and some companies have said they will not introduce them. While the companies may not admit it, almost certainly one of the reasons for bringing in terminal bonuses, was as a weapon against unlinked policies.

This was in the days when equities were soaring, and the promoters of unlinked contracts were stressing the advantages of their wares since the policyholder took all the capital appreciation, and none was shared away by the insurance company for a subsequent generation of policyholders.

But terminal bonuses have brought their problems. In the first place, life offices and brokers have had to consider how to deal with them when estimating maturity values to potential policyholders.

In some cases, the estimated maturity value has been based simply on the assumption that current rates of reversionary bonus will be maintained, with a mention being made that a terminal bonus will be payable.

Usually there is a note that if the present rate of terminal bonus should be payable at the time, this would increase the maturity value by a set figure.

But, however much this may be hedged round with ifs and buts, there is a tendency on the part of many people to add it on to the estimated figure.

Of course, if an office declares terminal bonuses, there is an even greater chance that reversionary bonuses will be maintained since the terminal bonus can be eliminated if necessary. Equally, of course, there may not be the same increases in reversionary bonuses, since the surplus available may instead be directed to the terminal bonus.

After a period of depression for equities, a surprising fact is that there have not been all that many really sharp falls in terminal bonuses. Some offices are maintaining their terminal bonuses at this year at the same rate as for last year.

While this may be helpful for those whose policies become claims through death or maturity during the year, it does mean that the offices concerned are maintaining their terminal bonuses at more than a genuine half-house between with-profit unlinked policies.

In other words, when the value of funds are high, such terminal bonuses will be adjusted so as to hold back funds which can be used to boost the bonus when shares are at lower levels.

That is rather a crude simplification of the position. But it shows that the approach of individual offices to terminal bonuses is not identical, and the particular approach of an office may be a factor to discover when taking out a policy.

It is not to say that one approach is "right" and the other is "wrong", but simply that it could be useful to discover the apparent way in which a terminal bonus is operated by a particular company.

John Drummond

Pensions

Lump sum calculations

If you are a member of a pension scheme, the chances are that you will be allowed to exchange part of your pension for a lump sum—unless you are entitled to a separate lump sum in any case. Quite a number of schemes, again, increase pensions from time to time after they have become payable.

Anyone in a scheme which provides both these benefits has been rather hard done by in the past. The Inland Revenue have not allowed the increases to be taken into account in calculating the maximum amount of cash a member may receive in exchange for each £1 of pension; nor have they allowed the scheme to pay the increases which are thus lost. The maximum increase is based on that part of the pension which is not exchanged for a lump sum.

On the other hand, the maximum value for £1 pension has been reduced as interest rates have risen; not, it is true, to an extent fully commensurate with the changes—particularly recently—in investment conditions. This is not, however, because of any relaxation in the Inland Revenue's general approach to the problem, but merely in recognition of the practical difficulty of making frequent changes in such a long-term arrangement as a pension scheme.

At one time it was possible to pay as much as £1.50 in exchange for £1 pension for a man of 65; now the normal

figure is £9. The whole trouble is that the Inland Revenue fail to understand the relationship between rates of interest and inflation.

Attention is concentrated on the cost of buying a fixed pension from an insurance company. As the rate of interest rises, insurance companies' annuity rates become cheaper, and the Inland Revenue feel the urge to cut back on retiring pensioners' cash.

They overlook the effect of inflation: there is a distinct relationship, over a period, between the rate of interest and the rate of inflation. It obviously makes sense for a pension scheme to be allowed to protect pensioners' living standards as far as financial considerations permit—the Inland Revenue now accept this.

Similarly, the lump sum to which a retiring pensioner is entitled should be sufficient to buy him not just a fixed pension in money terms, but also a degree of protection against inflation. If, on the other hand, he is not proposing to invest his lump sum, what relevance do current interest rates have at all? How many things cost less, in real terms, today than 20 years ago, when current interest rates stood at a third of today's level?

All this comes into prominence because of the latest change in Inland Revenue practice. In future, schemes faced with this problem will be able to give an enhanced value for each £1 pension, if the pension increases

under the rules after it becomes payable.

I must hasten to add that the maximum amount of cash a member may receive is not affected by the change: he will be allowed to commute only a reduced amount of pension to give the same size of lump sum, leaving him, of course, with a larger amount of residual pension.

As an alternative, the old basis may be used for calculating the equivalence, but increases based on the total pension before exchanging part of it for cash—although any pension given up to provide a widow's pension must still be deducted.

In principle this is a satisfactory solution, and indeed the alternative ought to work out satisfactorily in practice. The enhanced cash value for each £1 increasing pension, however, is to be based on a rate of interest in the region of 8 per cent pa and therefore represents a further reduction from the present level of equivalence—such a high rate must include a substantial inflationary element. Historically, the rate of interest in real terms paid on money invested in secure investments has averaged out at about 2½ per cent pa. The rest of the "interest rate" merely goes to meet the loss in purchasing power of money.

Just at the moment, the rate of inflation is higher than the "rate of interest"—so anyone investing money is paying for the facility, rather than receiving payment!

If full value is to be given for a pension—in real terms—the interest rate used in calculating the maximum ought to be this 2½ per cent per cent pa or something like it. Then the lump sum which maintains its full value.

Perhaps the root of the trouble is that the Inland Revenue have only recently accepted that pensioners' living standards may (if the scheme can afford it) be fully protected against inflation. The implications of this acceptance are still working their way through the limitations.

This preoccupation with restriction and the inevitable complication and inconsistency which it causes—reminds us again of the enormous effort and their unpaid assistants in pension schemes and employers to applying irrelevant and unnecessary restrictions.

Some limitation on tax-free cash is appropriate, but pensions are subject to tax and do not offer the possibility of abuse with which the Inland Revenue are always so concerned. This not increase the total cash, but only the residual pension, and even if the Inland Revenue do not yet accept the case for abandoning controls entirely, they ought to have been able to adopt a less restrictive attitude in this area.

Eric Brunet

Taxation

When a house is not fully exempt

Those readers who, I plead their tax form read the Inland Revenue and fairly imp instructions may be out by paragraph 56 out, although a disposal of one's own house may be who, from tax, it should be included in the In the Inspector can est exemption is, in fact

I understand, the most tax allowable will still be about this, insisting on a calcula gain, a note that the been sold will suffice cases where the es clearcut.

If I am on the calculating gains this the appropriate tim about the arithmetic the gain on the sale is wholly or partly a proceeds less cost a other allowable e equals the capital g of course, although trined inflation one doubt this as a possibi

If the house was other than by purcha ample, if it was a, herited under a will, date of the gift or of the donor must be for the cost price. I perty was inherited value will already be for estate duty purpo

In other cases, it wi sary to check with th owners' records will to capital gains tax will have to agree t value with the tax o that value will becom of the asset to the de

Strictly, acquisiti April 5, 1965 shoul have been recorded appropriate tax retu the section headed " assets acquired" case, if copies of the kept, the cost details available when a disp

In addition to the i of the house, there types of other allowa diture. One of them cidental costs of pur sale, such as stamp c of valuation, the re veyance, cost of adv find a buyer or seller

To quote from the s "fees, commission or tion paid for the pr cessing any other value, or auction account, or agent adviser" are allowable not quite as gener seems because the for accountants' fees for valuing the as ing with the apporri a gain where the asset before April 1965.

The second type of expenditure is, in the the statute, "for the p enhancing the use of being of the nature of the state or nature of at the time of dispos indicates that the ex must not have wasted fore the disposal of it of value, and the ac built along with the dary to the house, t the house is sold the lapsed, the expendi not be allowable. I an improvement to erty will be accepta repairs, maintenance decorations.

The third type of expenditure is that exclusively incurred (including the cost of ing the owner's title o ver, the acsion. Tho of a court action to es boundary of one's would be allowable. Choosing to make a dition on cost can be a sometimes impossible it is important that of property not who the exemption shoul a reasonably effec system for expendi

If the property has away instead of sol value at the date of it to be substituted for of extracting all this professional valuation, tion against arifi valuations the tax offi own district value it turns for advice. Gifo husband and wife a

If the house was before the tax was f duced on April 6, 1965 before that date is e arrive at the exempt o parts there are two of choice value, and de which calculation gives gain. Broadly the wh gain can be apporion period before and afte 1965, on a straight u tax being paid on the 5 part.

Alternatively, mark April 6, 1965, can be se for the cost price and e once between this and ceeds will be the tax There is a slight reba these calculations if ments have been carri

A two-year time li posed for electing to April 6, 1965, valuation made it is irreversib made it is irreversib taking this irreversib

If the arithmetic is complicated enough it is b end if the house has be used as a private part thus qualifies for part tion. The gain, drive above has to be furbe periods of occupanc absence from April 6: the date of sale.

Vera Di P

Law

Avoiding legal tangles in a shared flat

Few young people today can afford the luxury of having their own flat. Sharing a flat with congenial companions is, for many, preferable to the isolation of the traditional bed-sitter and is also likely to be a lot cheaper, as well as providing a higher standard of accommodation.

Some agencies specialize in flat sharing. Many newspapers have advertisement columns devoted to it. However, it will come as a surprise to many that such a simple arrangement as flat sharing can be fraught with its own particular legal problems.

Generally, one of the occupants takes a tenancy agreement in his name and gets the others to contribute towards rent and expenses. In law, the responsibility clearly rests on him, both financially and otherwise—for example, the others annoy neighbours with noisy parties.

But does his signing necessarily imply that the others submit to his legal domination? Sometimes the nominal tenant will emerge as the dominant personality. He may even try to make a profit out of running the flat. Since flat sharing cannot be regarded in law as a partnership any profit he makes will not be accountable to the others.

Before dwelling on the legal aspects, one ought, perhaps, to consider certain practical considerations. Take for instance the question of insurance. Although the landlord will, no doubt, have his own policy to cover the contents of the flat, each occupant should take out his own insurance cover for personal belongings.

Where a deposit has been paid to the landlord against possible breakages, anyone leaving should recoup his share from the incoming occupier. Also, the person leaving should meet the expense of any acceptance of the remaining occupants.

Some system of rules is essential if the flat is to be occupied in a civilized way, and a list of regulations should be discussed and drawn up at an early stage. First, a cleaning rota should be organized and as soon as possible a financial expert appointed to keep accounts and pay bills. In practice, two "kitties" will be necessary—one to cover day-to-day expenditure on communal food and cleaning materials, and a second for periodic, larger bills such as rent, electricity, gas, telephone and television rental.

Telephone charges are the most likely to give rise to friction, and a coin box is the best solution if the Post Office will install one. Relying on everyone to record calls in a book will invariably end with a deficit which will have to be shared equally. If the nominal tenant is seeking to run the flat at a profit, he will find the phone bill his primary loss-leader.

Again, agreement will have to be reached in advance about such trivialities as late night noise, parties, friends staying, practising musical instruments and restrictions on pets (a man I knew used to keep snakes).



"If the nominal tenant is seeking to run the flat at a profit, he will find the phone bill his primary loss-leader."

nominal tenant and the other occupants had, until recently, never been the subject of a judicial decision and, in fact, in a case involving flat sharing last year, a Chancery judge refused to define it. All he would say was that it was an informal arrangement and gave none of the other occupants any legal interest in the flat itself.

In law flat sharing would seem constitute a partnership unless it were a "business carried on in common with a view to profit". Nevertheless, on the financial side, there can be no doubt that each occupant is legally obliged to contribute his agreed share towards all expenses and to pay for any damage he or his guests cause.

The one who pays a communal bill for, say, rent, electricity or telephone, is entitled to sue each of the others for an appropriate contribution on the basis that they have impliedly agreed to indemnify him for their share, as well as any loss incurred in the running of the flat.

The occupant who has signed the tenancy agreement is the one who becomes personally responsible to the landlord for any breach of its terms and, also for the rent. The landlord is not interested to know how the others contribute to it. Does this mean that the nominal tenant can charge the others what he will and can turn them out if he becomes displeased with them?

There are two possible situations. *Prima facie*, it would appear that the others are merely lodgers and he could give them a week's notice to leave. This would be particularly so if there were two sharing one room. On the other hand, if each has the exclusive occupation of a whole room, they might be regarded in law as "furnished sub-tenants" and hence protected against eviction by him.

The legal complications are myriad. Suppose a film came near to using the flat to shoot a particular scene, and were prepared to pay a substantial sum of money—would the nominal tenant be entitled to claim the whole of such a windfall or would he have to share it with the others?

In a recent case last year, such a dispute occurred in a shared flat. Three young men had been sharing a furnished flat; the tenancy was in

the name of Thomas, at a rent of £60 a month. They decided to look for an unfurnished flat, and Mark found one through his brother who was working for a firm of estate agents. The agents arranged to let it to Mark for one year for £440—a substantial saving in rent. Together they scraped together some secondhand furniture at a total cost of about £50. The telephone and TV were kept in the name of Thomas, although Mark was the actual tenant.

A year later Mark received a letter from the landlords offering to sell him a long lease of the flat. It was an opportunity not to be missed and for some months he kept it to himself, but eventually he told Thomas and the third sharer, Gordon, about it. He made it clear that he had no intention of cutting them in on his slice of good luck. Eventually he was offered a 62-year lease of the flat for £5,400. This he raised, partly from a building society and the rest from his bank, and Thomas and Gordon made no contribution. Inevitably, envy crept in and the relationship between them deteriorated. Although they continued to share the flat, Mark was left to pay all outgoing except TV and telephone, which were paid by Thomas.

A year or so after buying it, Mark decided to sell the flat and asked Thomas and Gordon to leave. They refused to do. Solicitors then came on to the scene and the parties eventually came before Mr Justice Frowman. Thomas and Gordon claimed that Mark held the flat as trustee for them all. Since they had shared the rent, it was argued, they should now share the benefit of the new lease.

The judge thought that the application of the law of trusts to flat sharing agreements would give rise to too many problems, since in many shared flats the occupants are constantly changing. Mark had taken a chance in buying the lease when it was offered. Admittedly, he had bought in a rising market, but he might equally well have lost money over the deal. Had this been the case, it is doubtful whether Thomas or Gordon would have been quite keen to participate in the venture.

Ronald Irving

Unsettling factors

HIGH & DRY

Really Dry Gin



HINE

connoisseurs
cognac

[illegible]

